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Kettering Borough Council
Internal Audit Report 2012/13
13/KBC/07 – Choice Based Lettings

FINAL

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Getting value from your service

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1. Introduction

General background

An internal audit review of the Council's arrangements for advertising, running a bidding process and allocating vacant social housing using the Keyways system has recently been completed. This review was carried out as part of the 2012/13 internal audit plan agreed by the Monitoring and Audit Committee. Keyways has not been subject to recent internal audit review and this was the first internal audit carried out on this system by CW Audit Services.

The system

The Keyways system is delivered in partnership with the Borough Council of Wellingborough and Corby District Council and is provided using the Abritas software package. It allows applicants to bid for properties over the internet, although hard copy applications are also accepted for members of the public who have no internet access. A number of Registered Social Landlords (RSL) also participate in the Keyways system. The split of properties available tends to be around 40% Council and 60% RSL. There are currently almost 4000 applicants on the system.

The Council's Choice Based Lettings policy sets out the four bands that applicants may be placed on, depending on the severity of their housing needs and bidding is prioritised in accordance with these bands. The policy is currently under review in the light of the Localism Act.

The Housing Options team is responsible for processing and vetting applications and managing the bidding/offer process. The Neighbourhood Management team is responsible for identifying properties to be advertised and for conducting verification visits to prospective tenants when an offer is made.

Acknowledgements

The assistance and co-operation of management during the course of this exercise is gratefully acknowledged.

2. Scope and objectives

The overall objective in undertaking this internal audit was to ensure, through a process of systems evaluation and compliance testing, that there is an appropriate control framework in place to achieve the following key control objectives for the system:

- There is an appropriately detailed Lettings and Allocations Policy in place that is consistent with current legislation.
- Applications to join the Keyways system are processed promptly and are accurate, complete and subject to appropriate validation checks.
- Social Housing is advertised promptly and accurately on the Keyways system.
- The bidding process is run in a fair and consistent manner and offers are made promptly to winning bidders on the basis of a fully validated bid.
- The Keyways system is subject to appropriate levels of management review and monitoring.
- Access to the keyways system is restricted to appropriate officers.

The results of this review have been discussed at an exit meeting held with the Housing Strategy and Options Manager and the Housing Options Manager. Action to resolve control weaknesses has been agreed where necessary.

This report highlights findings on an exception basis and does not therefore include detail of controls that the audit found to be operating satisfactorily. The Internal Audit opinion, detailed in section three of the report, provides an overall assessment regarding the level of control operating in the system.

3. Audit opinion and executive summary

The audit did not highlight any weaknesses that would in overall terms impact on the achievement of the system's key objectives. However, the audit did identify some control weaknesses that have impacted on the delivery of certain system objectives:

- The significant workload experienced by the Housing Options team is impacting on its ability to process applications in accordance with the 14 day target. There are also significant backlogs in dealing with on-line communications made by applicants and bidders.

- Evidence to support reasons for, and approval of, occasions when applicants are suspended from the bidding process needs to be provided on the system.

- Sample testing highlighted that whilst desktop vetting of applications is being undertaken, evidence to show that more detailed checks are undertaken (involving home visits) is not being retained on the Abritas system.

- Access levels to the Abritas system have not been reviewed since it was introduced. The audit highlighted that a number of staff have full system administrator access and also that access to important aspects of the system, for example the ability to suspend applicants from the bidding process, is not sufficiently restricted.

- The Abritas system includes a versatile report writing tool, but workload pressures have prevented the development of a suite of management and exception reports to be routinely produced and reviewed.

As a result, only **moderate** assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.

Opinions for individual control objectives

Key control objective	Level of Assurance				
	Full	Significant	Moderate	Limited	No
1 There is an appropriately detailed Lettings and Allocations Policy in place that is consistent with current legislation.	✓				
2 Applications to join the Keyways system are processed promptly and are accurate, complete and subject to appropriate validation checks.			✓		
3 Social Housing is advertised promptly and accurately on the Keyways system.		✓			
4 The bidding process is run in a fair and consistent manner and offers are made promptly to winning bidders on the basis of a fully validated bid.			✓		
5 The Keyways system is subject to appropriate levels of management review and monitoring.			✓		
6 Access to the keyways system is restricted to appropriate officers.			✓		

Full details of the findings, associated risks and audit recommendations are set out in section four of this report. The level of risk associated with each audit finding has been ranked in accordance with the definitions detailed in section four.

4.   Detailed findings and action plan

System Control Objective 1: There is an appropriately detailed Lettings and Allocations Policy in place that is consistent with current legislation.

The Council is currently undertaking a comprehensive review of the Housing Lettings and Allocations policy in the light of changes brought about by the Localism Act. This audit confirmed that arrangements to amend current policy in this area are appropriate.

System Control Objective 2: Applications to join the Keyways system are processed promptly and are accurate, complete and subject to appropriate validation checks

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
2.1**Band A Applicants**	Audit testing was undertaken on 5 randomly selected Band A applicants who had exceeded their 8 week bidding limit. It was noted that none of these had in fact exceeded the 8 week target, but due to various system problems, these appeared on the report from which the sample was selected.	Incorrect management information. Resolved cases still showing as open.	4	The Council should review the current position of retaining client histories on the system which cannot be closed to enable a solution to be found so that complete and accurate management information can be generated for monitoring of Band A applicants that exceed the 8 week bidding target.	(1) more timely feedback from Keyways landlords on outcomes of nominations / tenancy start dates - need to review processes. Landlords to be written to advising them that we will be giving a discount on Keyways advert charges from 1 April 13, based on their performance in returning information from Jan-March 13 (2) regular reports to be run and checked to monitor those exceeding 8 weeks - version 7 of Abritas allows us to build reports and select for them to be emailed each week / month / quarter which will resolve the problem.	Sue Hottinger – Housing Strategy and Options Manager Carly Hangar Housing Options Manager	By 21/12/12 1/4/2013

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
2.2 **Client messages and queries**	The Housing Allocations System was reviewed by Audit to determine the number of client messages and general client enquiries which had been received but not yet been dealt with for the period 1 January 2011 - 16 August 2012. This highlighted that a total of 642 client messages and general client enquiries that had not been actioned (479 client messages and 163 client enquiries). It is acknowledged that the volume of applications being processed by the Housing Options team makes it difficult to respond promptly to on-line messages and queries.	Adverse publicity for the Council. Housing matters not dealt with in a timely manner. Multiple client contacts relating to the same matter.	3	Given the current capacity issues faced by the Housing Options Team, it is recommended that the viability of using the client message and enquiry facility on the system should be reviewed.	We have decided to cease use of the client message facility and promote other means of contact for customers. We have enquired with our IT provider regarding switching off this facility but it cannot be actioned for KBC only, and other neighbouring LA's wish to continue use. Decision to write to all Keyways applicants before 21/12/12 giving various information about policy changes and including information re. methods of contact and ceasing use of Keyways message facility.	Carly Hangar Housing Options Manager	To notify applicants by 21/12/12
2.3 **Application Processing time**	On-line applications are not live on the system until a signed copy of the Declaration page (p24) is received in the Housing Options office. Hard copy application forms are also not live on the system until processed. In each case the aim is to process applications within 14 days of receipt. The Housing Options Officers confirmed that workloads in the office mean that the 14 day target may not always be achieved. As at 9th August 2012, there were 19 applications received through July in the pending file to be scanned and input on the system. There were also 36 applications that were 'awaiting further information'. These generally related to applications received during May 2012. There were notes on most of these applications stating when a letter requesting additional information had been sent, mostly either on the 8th May 2012 and 15th May 2012. Further testing of 6 of the 36 applications highlighted that in at least 2 instances, additional information had been received and the applications were now live on the system, so in these instances the issue was more to do with being behind on filing rather than not having been processed. There were a further 3 applications that had been scanned and attached on the system but still remained pending - these related to applications received in March and April 2012.	Reduced levels of customer satisfaction with service provided. Increased risk that applicants that are more proactive in chasing applications will be processed before less proactive applicants. Increased risk of complaints form applicants on service provided.	3	The high workload faced by the Housing Options team is fully acknowledged. The team is currently undertaking a process review to establish more effective working methods so that backlogs in processing applications can be resolved.	2.3 - The team are piloting a new Single Point of Contact service in our Customer Services Area which enables applicants to see a Housing Options Advisor and complete the whole process of making an application which goes live same day, provided the applicant has with them the required ID etc. Pilot commenced 22 October 2012, and will be trialled initially until 21 December 12. Early indications are that this is working well, providing much higher levels of customer satisfaction as a result of being able to process their housing applications far more quickly, and will ease pressures on the Lettings Officers, chasing information from applicants, getting signed declarations etc. Findings from this initial pilot will be fed into permanent changes to our service delivery from Jan 13 onwards, although we will continue to monitor impacts on processing times etc, and feed in further service improvements as required.	Sue Hottinger Housing Strategy and Options Manager	New working methods fully operational by 31/7/13

System Control Objective 3: Social Housing is advertised promptly and accurately on the Keyways system.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
3.1**RSL adverts**	As at the date of the audit (mid August 2012), debtor accounts had not been raised for adverts placed by the RSLs for the first quarter of 2012-13 (April -June 2012)	Delays in raising debtor income may make recovery more difficult to achieve.	4	Debtor accounts in respect of advertisement charges payable by RSLs should be raised promptly following the end of the quarter in which they fall due.	Housing Options Manager, and HORO have now received training from a colleague re. raising invoices. Advert charges for Apr-Jun 2012 quarter were raised 10/9/12, and a new system of emailing (as well as posting) invoices to relevant officers in RP organisations used. We will endeavour to raise them promptly at the end of each quarter	Carly Hangar Housing Options Manager	Ongoing
3.2**RSL adverts (2)**	The Housing Options Manager does not routinely receive details from the debt recovery section on any unpaid RSL bills for advertisement placed.	Lost opportunity for Housing Options Manager to get involved in taking direct recovery action. RSLs who have not paid bills may continue to place new advertisements.	4	The Housing Options Manager should receive quarterly reports from the debt recovery section on any outstanding RSL bills for advertisements placed.	Debt recovery reports have been requested from our Income & Debt section and these will be followed up	Carly Hangar Housing Options Manager	31/12/12

System Control Objective 4: The bidding process is run in a fair and consistent manner and offers are made promptly to winning bidders on the basis of a fully validated bid.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
4.1 **Suspensions**	Audit testing of 5 applicants who had been suspended from the bidding process by Lettings Officers could not locate evidence recorded on the system to confirm that there were valid reasons for the suspension, or that the decision to suspend the applicant had been formally approved and evidenced by the Housing Options Manager.	Lack of management trail to support reasons and approval of decisions to suspend from bidding.	2	It should be ensured that all decisions made by the Lettings Officers to suspend an applicant from the bidding process should be properly documented and subject to evidenced approval by the Housing Options Manager.	Localism Act introduces 'non-qualifying' categories. Internal process to be established with launch of new Housing Allocation Scheme to ensure consistent decision making signed off by Housing Options Manager for all cases non-qualifying due to ASB / criminal activity and housing related debt. Also to establish relevant folders on IT system to place non-qualifiers in.	Carly Hangar Housing Options Manager	Launch of new policy when revised IT system in place est. 1/4/13
4.2 **Verification Checks and Decision**	Audit testing was undertaken on 8 successful bidders to confirm that appropriate verification checks had been undertaken. Following these desktop checks, more detailed vetting is undertaken by undertaking home visits either by Neighbourhood Managers, or by the relevant RSL. Two forms (known as forms 3&4) are used to record the results of these visits and these should be returned to the Housing Options team to be scanned onto the system. Test results were as follows: • 4/8 related to RSL properties. No Form 3 on the system for any of the sample and only one form 4 on the system. • 4/8 related to KBC properties and these forms should have been completed and put on the system or as a minimum retained in the paper files retained in the Neighbourhood Management Team. No Form 3 or 4 could be located on the system for any of the sample and only one form 4 could be located in paper files.	Lack of management trail to demonstrate that required checks on successful bidding applicants have been undertaken.	3	All required checks on successful bidders should be undertaken and recorded on Form 3 and decisions made recorded on Form 4. These should all be recorded on the Abritas sSystem. RSLs should be formally notified of their duty to return such completed forms to the Council for input to the system or if they have appropriate system access to attach the forms themselves.	Verification checks - more detailed verification checks being introduced at 3 stages in the process as part of our service improvement programme: 1) at initial application, 2) prior to nomination to a landlord following a successful bid (by our Lettings Officers, and 3) via home visit (by the relevant landlord) immediately prior to offer. New checklists are being produced for officers involved in the verification process which will be shared with landlords before being rolled out more widely. Timely return of forms will be incentivised, as set out in point 2.1.	Sue Hottinger Housing Strategy and Options Manager	31/3/13

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
4.3**Contacting successful bidder**	Audit testing of 10 successful bidders to determine whether they had been notified within three working days after the bidding cycle) highlighted that on two occasions there were delays of 11 and 18 working days where these would not have been expected. The Housing Options Manager confirmed that such delays should not be occurring especially as in each case it was the top bidder who was going to be notified.	Unnecessary delays in awarding accommodation. Clients rebid unaware of previous success.	3	The reasons why delays are occurring in notifying successful bidders within 3 working days of the completion of the bidding cycle should be investigated to determine whether there are any underlying causes.	We endeavour to begin looking at each shortlist on the same week that the advert cycle ends but on occasion this isn't achieved (staff holiday, high number of adverts / new build schemes on a particular week). Housing Options Manager does not believe there to be any underlying cause that can be addressed, asides ensuring that she continues supporting the equivalent 2 x F/T Lettings Officers to achieve this aim as far as possible, and monitor through regular reporting. Monitoring as part of regular reports to be configured with Version 7 upgrade	Carly Hangar Housing Options Manager	Monitoring reports by 1/4/13
4.4 **Local Connection Decisions**	Audit testing of 10 successful bidders to confirm that they had been offered accommodation in line with the policy identified two cases where success was based on local connections and fulfilling requirements as to the type of property advertised. However audit review of the system notes and a paper file which was retained in the Neighbourhood Management Team for one of the successful bidders confirmed that there was insufficient information available to readily confirm the decisions to award housing on the basis stated.	Reduced audit trail. Insufficient information available to support decision making.	3	It should be ensure that readily accessible audit trails exist to support housing decisions awarded on the basis of local connections and fulfilling the requirements for a specific property type.	The examples were (1) letting of ecohome in Cranford where the decision was made by landlord services, and (2) a back office direct match created to record the let of a PHaSE property which are allocated outside of the Keyways policy. The examples highlight that where lets are recorded on Keyways BUT allocated outside the overarching Keyways property, proper information for audit needs to be attached to the system on each advert to which it pertains.	Carly Hangar Housing Options Manager	Ongoing

System Control Objective 5: The Keyways system is subject to appropriate levels of management review and monitoring.

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
5.1 **System Reporting**	The Abritas system is capable of producing bespoke reports designed by the user for their own needs. The Housing Options Manager has been trained in report writing and has a number of ideas for regular management reports that could be useful in managing the work of the Housing Options Team. As yet however, lack of time to dedicate to developing these reports has prevented them from being introduced. Examples of useful reports that could be produced include: • Band A applicants on system for longer than 8 weeks • System anomalies within applications • Contradictory band reasons • Applications in Pending Enquires or Awaiting Decision status on the system • Winning bids that have been skipped or match rejected	Lack of management information to help ensure system is operating efficiently and effectively.	2	A suite of bespoke reports should be designed for regular production from the Abritas system and be subject to evidenced management review	Completely agree with the recommendation. This will be viable with version 7 upgrade which is underway, as the reports can not only be built but also scheduled to email to specific officers on a custom set time period. This will enable Housing Options Manager to receive up to date reports via email without having to remember to run them	Carly Hangar Housing Options Manager	1/4/13

System Control Objective 6: Access to the keyways system is restricted to appropriate officers

Expected Control	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who	When
6.1 **Abritas System Access Permissions**	It was established that the Housing Options Manager, two of the Lettings Officers and the Housing Strategy Officer have full access to all system capabilities (i.e. System Administrator capabilities.) The Housing Options Manager also reported that there had not been a review of system access permissions since the system was initially set up. It is quite likely that the original settings were purposely set to give staff significant levels of access within the system while processes became fully embedded. It was for example noted that all the Housing Options Advisors, as well as the Lettings Officers and the Housing Options Manager have the ability to suspend applications on the system.	Risk that staff may be able to perform duties on the system that should be subject to higher levels of authorisation.	2	A complete review of system access capabilities should be completed with a view to ensuring that system actions, for example the ability to suspend applications, are undertaken at an appropriate level of seniority within the team.	As part of the wider I.T. changes we should review the various permissions of the IT system for each level of officer as per the recommendation.\n\nHousing Options Manager raised this with partner LA's via email 25/9/12 and will raise again at next meeting with Abritas on 14/11/12 to pursue prior to launch of new policy and revised IT system.	Carly Hangar Housing Options Manager	30/4/13
6.2 **Abritas System Users**	A list obtained from Abritas highlighted that there are currently 116 users with access to the system (84 KBC, 32 RSLs). Sample testing of ten users highlighted two (both from RSLs) that had left their respective employment but remained with access on the system. A further instance was noted (KBC) where an employee had last logged onto the system in December 2010. The Housing Options Manager reported that the HR periodically send details of staff leavers so that they can be removed from Council systems, although she could not remember receiving any lists in the last six months. There is no system currently operating to ensure that staff that leave RSLs are removed promptly from the system.	Potential for unauthorised access to the system.	3	The current list of Abritas users should be subject to review to remove all staff and RSL employees who have left and no longer require access to the system. A system should be implemented to regularly check with RSLs to ensure all users remain current employees. HR should be requested to send lists of leavers on a more regular basis.	- Need to establish a process of communication with all partner landlord organisations to check that staff with access are still employed. The viability of configuring a report on current users to be emailed regularly as part of Version 7 upgrade should be explored (as this is not data relating to housing applications themselves). Whilst the latter would make regular checking easier, regardless it is appreciated that a process should be established for security purposes. Note that there are some safeguards in place e.g. to suspend users that haven't used the system for a period of 45 days.	Carly Hangar Housing Options Manager	1/5/13

Appendix 1 Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.