



NOTTINGHAM CITY HOMES

## REVIEW OF THE ALLOCATIONS & LETTINGS ARRANGEMENTS

<b>Report issued:</b>	<b>September 2008</b>
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<b>Audit Plan:</b>	<b>2008/09</b>
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The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Business Assurance

# Review of the Allocations & Lettings Arrangements

## - EXECUTIVE SUMMARY -

### INTRODUCTION

1. TIAA has reviewed the Allocations & Lettings arrangements at Nottingham City Homes. The review was carried out in July 2008 as part of the planned internal audit work for 2008/09.

### SUMMARY

2. Two Key Risk Control Objectives were identified and tested and based on the findings from this work an overall evaluation of the overall adequacy of the internal controls was established (figure 1 below).

*Figure 1 - Evaluation of the Effectiveness of the Internal Controls*

System	Evaluation
Allocations & Lettings	Reasonable Assurance

### KEY FINDINGS

3. The following significant matters were identified which need to be addressed in order to strengthen the control environment.
  - Several house files did not contain application forms.
  - The allocations function is not included within the Company's risk mapping arrangements.
  - Registration procedures are not documented.
  - There is no training programme for staff involved in allocations be introduced to ensure staff keep abreast of the Company's procedures and any changes in legislation.

### OPERATIONAL EFFECTIVENESS MATTERS

4. The principal purpose of the review was to assess the effectiveness of the internal control arrangements in mitigating against risk. Operational Effectiveness action points were identified and opportunities for enhancements to the current arrangements are set out in the Operational Effective management action plan.

### MANAGEMENT RESPONSES

5. Effective implementation by management of the recommendations made in this report is important for the maintenance of a reliable internal control system. Recommendations for improvements should be assessed by the Company for their full impact before they are implemented. Management responses have been received for all the recommendations made in this review.



**MANAGEMENT ACTION PLAN**

Para. Ref.	Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer
16.1	The allocations function be included within the Company's risk mapping arrangements.	2	<i>The Risk Register for the Allocations and Lettings Service fully details the risk arrangements for the allocations function.  Control measures are in place to mitigate the risks, such as robust monthly scrutiny and monitoring arrangements involving the Housing Services Director and Assistant Directors and improved reporting to Performance and Regulatory Committee.</i>	<b>COMPLETE</b> <i>(July 2008)</i>	<i>Bernadette Lawley City Lettings Manager</i>
16.2	Registration procedures be documented.	2	<i>A documented procedure for the registration process is now in place, linking into the associated process map. The procedure will be placed on the Company's intranet site as part of the ongoing update of the Northgate system.</i>	<b>COMPLETE</b> <i>(August 2008)</i>	<i>Bernadette Lawley City Lettings Manager</i>

PRIORITY GRADINGS

1	URGENT	fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	issue on which action should be taken.
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16.3	An ongoing training programme for staff involved in allocations be introduced to ensure staff keep abreast of the Company's procedures and any changes in legislation.	2	<p><i>An ongoing training plan for staff involved in allocations has been introduced, including:</i></p> <ul style="list-style-type: none"> <li>- <i>A training plan for new Lettings Officers, covering all relevant policies and procedures and associated legislation.</i></li> <li>- <i>A draft training plan has been agreed for both lettings and allocation staff and Area Housing Office staff to receive training in early intervention, homeless prevention and support services from partners such as Housing Aid, Nottingham Domestic Violence Forum and Framework.(links into point 1.6 Voids and Allocations Service Improvement Plan).</i></li> <li>- <i>Changes in legislation/best practice is discussed at regular monthly meetings with the Housing Registration and Allocations Manager, Lettings Managers and Housing Managers from the Area Housing Offices.</i></li> <li>- <i>Ongoing training sessions are held for managers to cascade to other staff e.g. Sessions were held in January 08 regarding legislation and practice around eligibility in re-housing and refresher training in allocations was given to 'Allocations Champions' from Area Housing Offices in July 2008.</i></li> </ul> <p><i>Managers regularly attend conferences and are sent updates by our Business Improvement team, HQN, Housemark and CIH so we are keeping up with changing legislation..</i></p> <p><i>Relevant procedures are discussed during weekly meetings.</i></p>	<p><b>COMPLETE</b>  <i>Draft Training Plan Introduced</i>    <i>(July 2008)</i></p> <p><b>ONGOING</b>  <i>Training programme to be further developed in conjunction with staff during the 1:1 and PDR processes.</i></p>	<p><i>Bernadette Lawley</i>  <i>City Lettings Manager</i></p>
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Para. Ref.	Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer
16.6	Old versions of the leaflet "A Guide to Nottingham Homelink" be removed from area offices.	2	<i>All old versions of the leaflet have been destroyed. Regular checks are carried out of Area Housing Office reception areas to ensure that literature is up to date.</i>	<b>COMPLETE</b> <i>(July 2008)</i>	<i>Area Housing Managers</i>
19.1	Application forms be stored in house files in the area housing offices.	2	<i>Application forms are sent to the Area Housing Office for filing after the tenant has signed for a property and any outstanding issues relating to the property or new tenant have been resolved. There is currently a revision exercise being carried out of all applicants on the Homelink Register. As part of this review, any applicant for whom we do not hold a current application form is sent a new form to complete. The application forms are also to be stored at the same site as the Lettings Officers thereby reducing the risks of lost documentation.</i>	<i>November 2008</i>	<i>Bernadette Lawley City Lettings Manager</i>

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Para. Ref.	Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer
16.4	The application review undertaken at accompanied viewings be documented and signed off by the prospective tenant.	3	<i>A form has been developed for the prospective tenant to sign and confirm during the accompanied viewing stage that there have been no changes to the circumstances the offer of accommodation is based upon.</i>	<b>COMPLETE</b> (August 2008)	Bernadette Lawley City Lettings Manager
16.5	Consideration be given to applying reasonable segregation of duties with regards to the maintenance of the waiting list and the allocation of the garages.	3	<i>Although it is recognised that the recommendation is best practice, owing to staffing resource levels in Area Housing Offices responsible for garage management, coupled with the surplus of garage stock available to let in most areas, this recommendation is not considered feasible at this time.</i>	Agreed date outstanding.  Consideration given to recommendation but no further action taken at this time.	Bernadette Lawley City Lettings Manager

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**OPERATIONAL EFFECTIVENESS MATTERS**

Para ref	Item	Management Comments	Audit Commission KLOE Reference
	None identified.		

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of the procedures, rather than on an one-by-one basis

**- DETAILED REPORT -**

**SCOPE AND LIMITATIONS OF THE REVIEW**

6. The objective of the review was to assess the effectiveness of the key risk controls which provide assurance that the Allocations & Lettings system is operated in accordance with the Company's requirement.
7. The objective of the review was to assess the effectiveness of the key controls which provide assurance that the allocations system is operated in accordance with the Company's requirements. The review considered the allocation and letting of tenancies. The review did not include: termination of tenancies; mutual exchanges; setting of rents for new lettings; or voids maintenance works.
8. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.
9. For the purposes of this review reliance was placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

**ASSESSMENTS OF THE KEY RISK CONTROL OBJECTIVES**

10. Details of the two Key Risk Control Objectives that were reviewed and the individual assessments of the effectiveness of the control arrangements are shown below (figure 2 below).

*Figure 2 - Summary of the Evaluations of the Key Risk Control Objectives*

Risk	Control	Assurance Assessment
Failure to direct the process through approved policy & procedures.	Arrangements in place provide for compliance with established policies, procedures, laws and regulations.	<b>Reasonable Assurance</b>
Losses arising from unauthorised action by staff.	Arrangements in place provide for safeguarding the organisation's assets and interests from avoidable losses.	<b>Reasonable Assurance</b>

11. This review identified and tested the controls that are being operated by the Company and an assessment of the combined effectiveness of the controls in meeting each of the Key Risk Control Objectives is provided. Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks

that may arise in future. The assessments, which are based solely on the audit carried out are:

<b>Substantial Assurance</b>	robust series of internal controls in place which should ensure continuous and effective achievement of the control objective.
<b>Reasonable Assurance</b>	reasonable number of internal controls in place, however may not be operated all the time.
<b>Limited Assurance</b>	the controls in place are not sufficient to ensure the continuous and effective achievement of the control objective.
<b>No Assurance</b>	fundamental breakdown or absence of core internal controls.

## MATERIALITY

12. There were 2902 properties let in the previous financial year and 355 made so far in the current financial year.

## RELEASE OF REPORT

13. The table below sets out the history of this report.

Date draft report issued:	16 <sup>th</sup> July 2008
Date management responses recd:	22 <sup>nd</sup> August 2008
Date final report issued:	10 <sup>th</sup> September 2008

- DETAILED REPORT -

<b>14. Risk</b>	Failure to direct the process through approved policy & procedures.		
<b>Risk Control Objective</b>	Arrangements in place provide for compliance with established policies, procedures, laws and regulations.	<b>Evaluation</b>	From the review of the documentation and tests carried out the Control Evaluation is:  <b><u>Reasonable Assurance</u></b>

15. The following matters were identified in reviewing the Key Risk Control Objective:
- 15.1 There is an Allocations policy dated May 2007.
  - 15.2 The Board has not considered the allocations function within its risk mapping arrangements. (Recommendation 16.1 refers).
  - 15.3 A number of the procedures are documented and are available on the Company's intranet. A Process map and procedures are documented for the allocations process. There is currently no documented procedure for the registration method although a process map dated March 2008 is in place. (Recommendation 16.2 refers).
  - 15.4 There is no formal training given on lettings arrangements and the relevant legislation. This is currently done by the Housing Registration and Allocations Manager meeting with the Policy Manager and passed onto through a monthly meeting with the allocations managers and weekly team meetings. (Recommendation 16.3 refers).
  - 15.5 Local Area Preferences can be authorised by the Lettings Managers, the Housing Registration and Allocations Manager, the Homelink Team Leader and Housing Managers from the Area Housing Offices. Manual Offers are requested by Lettings Managers or Housing Managers but are authorised by the Allocations Panel. Staff member allocations are authorised at Director and Assistant Director level and Board Member allocations are authorised by the Director of Housing Operations and the Chief Executive.
  - 15.6 All applications are reviewed annually on the anniversary of the initial registration or that of the last date when contact with the applicant has been made. The Company are also in the process of completing a full review of all applications. When the applicant is selected for being offered a property, prior to the offer being made, the manual file is reviewed to ensure that all details are correct on the system. The lettings team check with the applicant whilst completing the accompanied viewing that there have been no changes in circumstances before making the offer. This process is not formally documented and signed off by the tenant. (Recommendation 16.4 refers).
  - 15.7 The area housing offices administer garage lettings. Prospective garage tenants register an interest at the area housing office. When a garage becomes available in the relevant area the person at the top of the list is contacted and offered the garage. This was reviewed at the Hyson Green & Radford office with the clerical officer and

there is no reasonable segregation of duties with regards to the maintenance of the waiting list and the allocation of the garage. (Recommendation 16.5 refers).

- 15.8 The prospective tenant is offered the property at the accompanied viewing where the tenancy agreement is signed. If the tenant declines the offer this is recorded on the system under the property and the tenant's reference. The documented policy dated May 2007 states that tenants who refuse two offers are invited to attend a meeting to discuss their housing requirements. An old version of the leaflet "A Guide to Nottingham Homelink" in circulation states that this will happen after four refusals. (Recommendation 16.6 refers).

16.	Recommendation:	Priority
16.1	The allocations function be included within the Company's risk mapping arrangements.	2
16.2	Registration procedures be documented.	2
16.3	An ongoing training programme for staff involved in allocations be introduced to ensure staff keep abreast of the Company's procedures and any changes in legislation.	2
16.4	The application review undertaken at accompanied viewings be documented and signed off by the prospective tenant.	3
16.5	Consideration be given to applying reasonable segregation of duties with regards to the maintenance of the waiting list and the allocation of the garages.	3
16.6	Old versions of the leaflet "A Guide to Nottingham Homelink" be removed from area offices.	2

<b>17. Risk</b>	Losses arising from unauthorised action by staff.		
<b>Risk Control Objective</b>	Arrangements in place provide for safeguarding the organisation's assets and interests from avoidable losses.	<b>Evaluation</b>	From the review of the documentation and tests carried out the Control Evaluation is:  <b><u>Reasonable Assurance</u></b>

18. The following matters were identified in reviewing the Key Risk Control Objective:



**Risk: Failure of the process could impact adversely on the business significant risks.**

18.1 Testing was carried out on 48 properties allocated in the previous 12 months. There were no issues found with the actual allocations of properties, however it was noted that: -

- 16 properties with no application form present. List supplied to the Housing Registration and Allocation Manager.

The issue of missing documentation from house files and applications was raised in the internal audit report issued in February 2008. (Recommendation 19.1 refers).

19.	Recommendation:	Priority
19.1	Application forms be sent through to the area housing offices for filing.	2

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