


## London Borough of Hammersmith & Fulham

### Final Internal Audit Report – Voids Management Performance Reporting

	Nil	Limited	Satisfactory	Substantial
<b>Audit Opinion</b>				

*The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Recommendations for improvements should be assessed by management for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management’s responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.*

*This report is prepared solely for the use of Audit Committees and senior management of the London Borough of Hammersmith and Fulham. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.*

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## 1. Introduction

- 1.1. As part of the 2012/13 Internal Audit Plan, agreed by the Audit and Pensions Committee on 15 March 2012 and as requested by the Director of Finance and Resources for Housing and Regeneration in September 2012, we have undertaken an audit of Voids Management Performance Reporting.
- 1.2. The Council's owned and managed housing stock comprises of approximately 13,000 rented homes and 4,400 leasehold homes
- 1.3. One of the performance indicators monitored as part of managing the housing stock is for turnaround times to re-let empty properties (voids). The Rehousing and Voids Procedure states that all voids should be included in the turnaround time calculation, with the exception of exclusions. Exclusions are defined as voids that become vacant as a result of:
  - A tenant being decanted for major works,
  - Sale or demolition voids,
  - Voids arising from mutual exchange, and
  - Void periods for properties taken over by the police or used by TRAs as for show flats or other purposes
- 1.4. Re-housing and voids officers have the responsibility to decide whether any exclusions can be applied to the void periods based on consideration of the type of works being undertaken.

## 2. Scope and Summary of Findings

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Void Management Policy and Procedure			0	2	0
Exclusions			1	2	0
Performance Management and Monitoring			0	1	0

### 3. Key Findings

3.1. One priority 1 recommendation was raised as part of this audit.

3.1.1. A number of data entry errors and anomalies were identified on the report showing completed dwelling voids between April 2012 to October 2012 and could not be explained. These included:

- Start dates being included for the exclusion period applied for works or by the rehousing team but not end dates (Void ref: 17624, 17854, 18025, 18206, 18828, 18857, 19063).
- Negative net void days (Void ref: 16314, 17352, 18104, and 19490).
- Eight exclusions applied against one property (Void ref: 19363) where some overlap and for one the exclusion end date is prior to the start date.
- End of works date is prior to start of works date (Void ref: 17880 and 18158) leading to net days being higher than total days void.

3.2. The remaining recommendations cover a number of themes across voids management and performance monitoring. Areas where recommendations have been raised include:

3.2.1. The Rehousing and Voids procedure provided made reference to H&F Homes, which has been integrated into the Council as the Housing and Regeneration Department since April 2011.

3.2.2. staff have not been provided with training regarding applying and documenting voids exclusions.

- 3.2.3. The reasons for applying exclusions were not clear on the Northgate system notes in four of five cases tested in respect of the Rehousing Team (Void ref: 17982, 18111, 18120, and 18267). We were informed that this could be due to inconsistent recording practices adopted by the officers.
  - 3.2.4. Exclusions had not been applied to the voids calculation in two cases (Void ref: 17571 and 18576) and it was not clear whether exclusions could have been applied in a further two cases (Void ref: 17600 and 18028) of total ten voids tested.
  - 3.2.5. The rolling record of voids with turnaround times over 26 days that is reviewed weekly does not document individual cases where exclusions should be applied but have not been.
- 3.3. Detailed recommendations can be found Appendix 1.

## 4. Audit Glossary

4.1. In order to help put the audit opinion and recommendation priority ratings in context the following tables detail the current ratings used by Internal Audit.

Rating	Description
<b>Substantial Assurance</b>	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be substantial and few material errors or weaknesses were found.
<b>Satisfactory Assurance</b>	While there is a basically sound system, there are weaknesses and/or omissions which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited Assurance</b>	Weaknesses and / or omissions in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
<b>No Assurance</b>	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

4.2. All recommendations also carry a priority weighting using the following classification:

Priority	Description
1	Recommendation addresses fundamental weaknesses, which seriously compromise the effective accomplishment of the system’s objectives. Risks presented by the control weaknesses could be damaging in the short term. The management action required should be implemented as soon as possible, certainly within 0-3 months.
2	Recommendation addresses serious weakness, which affect the reliance to be placed on the system. Risks presented by control weaknesses could be damaging in the medium term. Management action is required within 0-6 months.
3	Recommendation addresses minor weaknesses, or suggests a desirable improvement. Risks presented by control weaknesses are unlikely and inconsequential. Management action is recommended to address concerns within 0-9 months.

4.3. It is recognised that there may be specific instances when full implementation may not be possible within the timescales defined above. In these instances, realistic timetables will need to be agreed with Internal Audit and consideration should be given to interim measures to partially or temporarily mitigate the identified risk until full implementation is possible.

## 5. Acknowledgement

5.1. Internal Audit would like to thank the officers involved with this audit for their assistance and co-operation.



## APPENDIX 1 – ACTION PLAN

Priority	Test Result/ Issue	Identified Risk	Recommendation	Management Response	Responsible Officer	Agreed Deadline
<i>1. Void Management Policy and Procedure</i>						
2	<p><b>Policies and Procedures</b></p> <p>We were provided with a copy of the Rehousing and Voids procedure. The policy refers to H&amp;F Homes, which was integrated into the Council as the Housing and Regeneration Department in April 2011 indicating that it has not been reviewed since then.</p> <p>The policy makes reference to BVPI212, a central government indicator for average time taken to re-let properties, which has been abolished.</p> <p>Detailed examples of the types of exclusions that should be applied</p>	<p>Where the Rehousing and Voids procedure is not reviewed regularly, there is an increased risk that staff members adopt incorrect or out of date working practices.</p> <p>Where the procedure does not clearly define the accepted reasons for applying exclusions, there is an increased risk that exclusions will not be applied correctly and that the voids Key Performance Indicator will be inaccurate.</p>	<p>The Rehousing and Voids procedure should be reviewed and updated as part of the review of all Housing and Regeneration Department policies and procedures.</p> <p>This update should include a listing of the circumstances where exclusions can be applied in relation to voids, both within the Voids Team and the Rehousing Team.</p>	<p>Agreed</p> <p>The void procedure will be reviewed as part of a wider review of housing policies and procedures. The voids procedure is scheduled to be completed by April 2013</p> <p>A defined list of exclusions and a void exclusion template are being created and will be signed off by the Director of Housing services. This will cover Housing management related voids exclusions and exclusion which are</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>Part 1 – 30 April 2013</p> <p>Part 2 – 28 February 2013</p>

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Priority	Test Result/ Issue	Identified Risk	Recommendation	Management Response	Responsible Officer	Agreed Deadline
	<p>by the Rehousing team had not been documented.</p> <p>The policy contained names of individuals that were no longer employed by the Council as well as departments that no longer existed.</p> <p>We were informed that all H&amp;F Homes policies are being reviewed by the end of 2012 as part of Housing and Regeneration Department internal reorganisation.</p>			<p>outside of the councils management control – for example due to police operations. Heads of service will approve applied exclusions at a weekly void review meeting</p> <p>Void exclusions related to capital works and disposals will remain with asset management and property services, supported by housing management through the Rehousing &amp; Voids Manager.</p>		

2	<p><b>Staff Training</b></p> <p>Discussions with the Director of Housing Services and the Head of Neighbourhood Services established that staff have not been provided with training regarding applying and documenting voids exclusions.</p>	<p>Where staff are not provided with training regarding voids exclusions and their correct application, there is an increased risk that staff do not apply exclusions correctly.</p>	<p>Staff should be provided with formal training regarding voids exclusions application and documentation. This training could be provided in following the redesign of the voids policy.</p>	<p>Agreed -</p> <p>Staff have previously been trained and will be trained on the list of exclusions and exclusions template and will be involved in the development of the new void policy and procedures.</p> <p>It should be noted that the Rehousing and Voids Manager is responsible for applying exclusions, with staff providing supporting information.</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>30 April 2013</p>
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2. Exclusions						
2	<p><b>Evidence of Exclusions</b></p> <p>The reasons for applying exclusions were not clear from the Northgate system notes in four of five cases tested applied by the Rehousing Team (Voids ref: 17982, 18111, 18120, and 18267).</p> <p>Discussions with the Head of Neighbourhood Services established that a reason for this could be the inconsistent use of language used by different officers when making notes on the Northgate system.</p>	<p>Where appropriate evidence to support the application of exclusions is not documented, there is an increased risk that exclusions cannot be supported. This may result in reduced assurance that the Key Performance Indicator for voids is accurate.</p>	<p>Staff should be formally reminded of the requirement to maintain detailed notes to support exclusions. This should include the use of consistent terminology.</p>	<p>Agreed – as above staff will be training on the exclusions list and procedures</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>30 April 2013</p>

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2	<p><b>Exclusions</b></p> <p>From a sample of ten voids with turnaround time greater than 26 days, two cases were identified where exclusions could have been applied but were not (Void ref: 17571 and 18576).</p> <p>In another two cases (Void ref: 17600 and 18028), we could not be provided with explanations for the void turnaround time being greater than 26 days.</p>	<p>Where exclusions are not applied, there is an increased risk that the void turnaround KPI is inaccurate.</p>	<p>Staff should be formally reminded of the requirement to apply all appropriate exclusions.</p> <p>In the two cases identified retrospective exclusions should be applied to the voids.</p> <p>In the two cases where explanations could not be provided, the reasons for the void turnaround time in excess of 26 days should be determined and exclusions applied if required.</p>	<p>Agreed - Although the void and re-housing manager to apply the appropriate void exclusions on iworld having been agreed with the Heads of Neighbourhood Housing Services at a weekly review meeting</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>Implemented and ongoing</p>
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1	<p><b>Data Entry Errors</b> Examination of the report showing completed dwelling voids in the period April 2012 to October 2012 identified a number of errors and anomalies that could not be explained:</p> <ul style="list-style-type: none"> <li>• Start dates entered on the system for the exclusion period applied for works or by the rehousing team but not end dates (Void ref: 17624, 17854, 18025, 18206, 18828, 18857, 19063);</li> <li>• Negative net void days (Void ref: 16314, 17352, 18104, and 19490);</li> <li>• Negative exclusions leading to net days (total days void less</li> </ul>	<p>Where there are data errors and anomalies within the Northgate system, there is an increased risk that the KPI data reported is inaccurate. This may result in incorrect decisions being made by the Council.</p>	<p>The 'list of completed dwelling voids' report should be reviewed and where data errors are identified, these should be corrected.</p> <p>Management should investigate whether data validation checks can be embedded within the Northgate system to prevent invalid data from being entered.</p>	<p>Agreed – as above. the list of closed voids are reviewed at dedicated weekly void management meeting. All exclusions are reviewed and cleared by the responsible Heads of Neighbourhood Housing Services.</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>Implemented and ongoing</p>
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	<p>exclusions), being higher than total days void (Void ref: 17880 and 1815);</p> <ul style="list-style-type: none"> <li>• Eight exclusions applied against one property (Void ref: 19363) with overlapping exclusion periods and one exclusion end date that was prior to the start date; and</li> </ul> <p>In one case (Void ref: 17600) from a sample of ten voids with a turnaround time greater than 26 days the 'Excluded Works Start Date' on the system was 01-JAN-1900.</p>					
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3. Performance Monitoring and Management						
2	<p><b>Applicable Exclusions</b></p> <p>The Head of Neighbourhood Services maintains a rolling record of voids which do not meet the target turnaround time of 26 days. However, it does not evidence review of whether exclusions could be applied in each case had been completed or whether exclusions granted are valid.</p>	<p>Where the record of voids over the 26 day target is not reviewed to confirm exclusions have been applied correctly, there is an increased risk that the void turnaround KPI is inaccurate.</p>	<p>The Head of Neighbourhood Services should review individual cases on the list of voids over the target turnaround time to ensure that exclusions have been applied correctly. Where discrepancies in the application of exclusions are identified, these should be followed up with Voids and Rehousing officers.</p>	<p>The weekly void performance meeting with the Heads of Neighbourhood Housing Services, the service transformation manager and voids and re-housing manager reviews action against the current void properties and reviews the closed void properties to ensure correct exclusions are applied and that lessons learnt are recorded for future service improvement</p>	<p>Head of Neighbourhood Housing Services North</p> <p>Head of Neighbourhood Housing Services South</p> <p>Service Transformation Manager</p>	<p>Implemented and ongoing</p>



## APPENDIX 2 – TERMS OF REFERENCE

### Outline Scope and Boundaries for Audit

This audit will be a risk based review of the arrangements for leasehold services income collection and will include the following areas:

Ref	Audit Area – Description	Comments on Coverage / Area Objectives
1	Void Management Policy and Procedure	A void management policy and procedure exists and is communicated to all relevant staff.
2	Exclusions	All valid exclusions to the void turnaround period are applied promptly onto the system in line with agreed procedures.
3	Performance Monitoring and Management	Void property information is completely, accurately and timely produced and reviewed to allow for effective monitoring, decision making and reporting.
		Where poor performance is identified corrective action is taken.

## **APPENDIX 4 – DISTRIBUTION LIST**

Copies of this report have been distributed to:

- Margaret French                      Rehousing and Voids Manager
- Alex Banner                            Head of Neighbourhood Services
- Jo Rowlands                            Director of Housing Services
- Kathleen Corbett                      Director of Finance, Housing and Regeneration