Herefordshire Council

Report of Internal Audit Activity

Plan Progress 2017/18 Quarter 2

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

Contents

Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**

Role of Internal Audit

The Internal Audit service for Herefordshire Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 21 March 2017.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:
- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

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Page 1

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2017/18. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective "assurance opinion" rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit "Audit Framework Definitions" as detailed on pages 9 and 10 of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings (Priority 4 and 5) that have resulted in them receiving a 'Partial Assurance Opinion' have been summarised in Appendix C.

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Page 2

Outturn to Date:

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Internal Audit Work Programme

This is the quarter 2 update for 2017-18. Twelve audits have been completed since my last update and there are five audits at Draft report waiting for management response.

The following audits have been completed:

Business Support Function – Adults Wellbeing – Reasonable
Data Sharing Protocols – Partial
Domain Management - Reasonable
Local Transport Block Funding - Grant Certification
Bus Subsidy – Grant Certification
Protection from Malicious Code - Follow Up
Client Finances – Follow Up
Brokerage – Follow Up
Car Parking and Enforcement - Follow Up
PSN Compliance – Substantial
Online choice based letting scheme – Home Point – Partial
Development & Regeneration Programme (DRP) - Advisory

Two audits Data Sharing Protocols and Online choice based letting scheme – Home Point were assessed as Partial assurance and eight significant findings were identified across the two audits.

Data Sharing Protocols
The objective of the audit was to provide assurance that data sharing and exchange agreements exist where data sharing takes place, and that data is shared appropriately and proportionately in line with those agreements.

Although we found that there were data sharing and exchange agreements in place the ones reviewed required reviewing and updating. Risks were also identified during our review relating to the exchange and sharing of data and in some cases formal agreements were not always documented where information was shared.

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Page 3

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

→ **Internal Audit Work Programme**

The Council faces a challenge to implement the EU General Data Protection Regulations (GDPR) to ensure that it is compliant by May 2018. A cultural shift in process will be needed to ensure that consent to share data is managed at citizen level and that consent can be evidenced.

The Information Governance team are currently undertaking information audits to identify all areas where a citizen's personal data is exchanged or shared. Privacy Impact Assessments (PIA), data exchange and sharing agreements need review and update by the Service Areas to ensure accuracy; Service Areas also need to provide the Information Access and Records Manager with up-to-date, signed copies of those agreements once they are formally in place.

Improvements are needed to signpost and streamline existing policy and guidance documentation. Systems are needed within each Service Area to ensure that the consent from citizens to share data can be evidenced and controlled, and that guidance is given to all staff on the impending GDPR requirements.

Online choice based letting scheme – Home Point

The objective of the audit was to provide assurance that an effective and efficient system is in place to manage the housing register and allocations in turn ensuring the Council meets its statutory obligations.

The key finding identified from the review is that reporting and monitoring using Abritas needs to be improved to give assurance that housing need can be accurately assessed and that the housing Allocation Policy is being complied with.

Also of significance is the fact that the current agreement between Herefordshire Council and the Housing Associations is no longer fit for purpose, this had been identified prior to the commencement of this review and the partnership agreement was suspended whilst a new arrangement was designed.

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Page 4

Outturn to Date:

We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action

Internal Audit Work Programme

There is currently no requirement for the Council to monitor and progress those applicants that are not active on the system and it was identified that at 23 August 2017 there were 584 applications that were not active (due to not fully completing their application or supplying supporting evidence), which means they had not been assessed and it is not known if they would be eligible for social housing. It should be noted it is the responsibility of the applicant to complete their application and provide the supporting evidence. The application will not be active until this action is completed the application.

The service has difficulties with the reporting functions in Abritas which need to be investigated further to ensure that the Council are taking full advantage of the system. It is recognised however that the Council do report regularly to the Department for Communities and Local Government (DCLG) via the P1E and submission of Local Authority Housing Statistics.

A net effect of the findings is that a proportion of registered applicants are inactive because they are possibly not seeking housing and/or have no current housing need and these applications need review. The significant findings are detailed in Appendix D below.

Follow Up Audits

Follow Up audits are completed where the auditor could only provide partial assurance. The follow-up audit is to provide assurance to the Director, Senior Management and the Audit and Governance Committee that the key risks have been mitigated to an acceptable level of risk. Evidence is obtained to demonstrate implementation and progress made in relation to all priority 4 and 5 recommendations. For the priority 3 recommendations progress reported is based on self-assessment by relevant officers. The following table demonstrates progress against agreed actions at the time of the follow up audits.

Priority	Complete	In progress	Not complete	Not yet due	Superseded
3	29	4	0	0	0
4	4	2	0	0	1
5	0	0	0	0	0

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Page 5

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.

Added Value

Primarily, Internal Audit is an assurance function and will remain as such. However, as we complete our audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. The SWAP definition of "added value" is "it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost".

The followings audits have provided a cross comparison survey at the request of the client.

Choice Based lettings – the survey requested information on the system used, reporting, performance indicators and how application stages are recorded.

Serious and Organised Crime – A survey was completed to establish which roles within a Council required a DBS check.

Special Reviews

Unplanned work, special reviews or projects carried out on a responsive basis are requested through the Chief Finance Officer (Section 151 Officer).

There have been no requests since my last update.

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Page 6

SWAP Performance - Summary of Audit Opinions

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **Substantial**
- **Reasonable**
- **Partial**
- **None**

Summary of Control Assurance

Of the reviews with an audit opinion that have a final report, the opinions offered are summarised below.

Control Assurance by Category

Substantial 20%
Reasonable 40%
Partial 40%

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Page 7

Summary of Audit Recommendations by Priority

Audit Recommendations by Priority

Priority	Count
1 Low	0
2	0
3	26
4	9
5 High	0

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Page 8
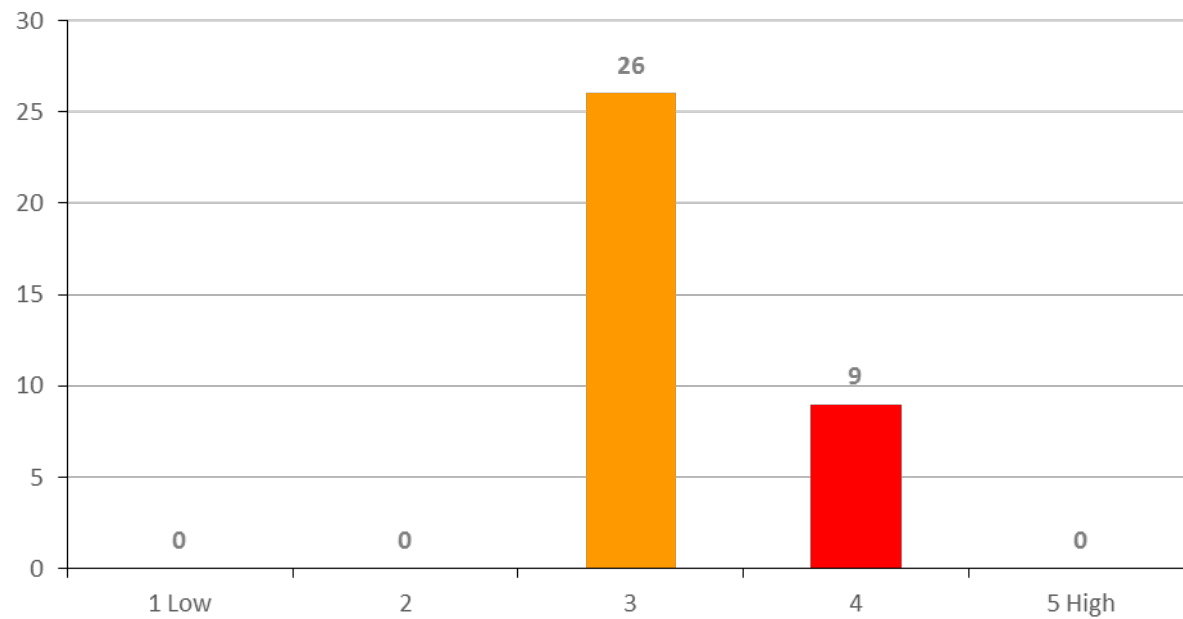
We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time.

Approved Changes to the Audit Plan

As new and emerging risks are identified, any changes to the plan will be subject to the agreement of the Chief Finance Officer (Section 151 Officer) and reported to this Committee.

One additional review has been requested:

Bus Subsidy – Grant Certification

The days for the review has come from the plan contingency days.

The Director of Quality is required to provide an opinion to support the Annual Governance Statement.

Conclusion

As reported in my last update the number of additional reviews requested in quarter 1 did impact on the progress against audits planned for quarter 1. Good progress has now been made in quarter 2 with completing the audits scheduled in the annual plan.

Fifteen audits have been completed and five audits are at Draft report waiting for management responses.
Of the fifteen audits completed one has been assessed as substantial, two as reasonable and two as partial assurance; four are follow up audits, two Grant Certification, one an Advisory review and two Special Reviews.

Overall delivery of the plan is satisfactory and is on target for completion by the end of the year.

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Page 9

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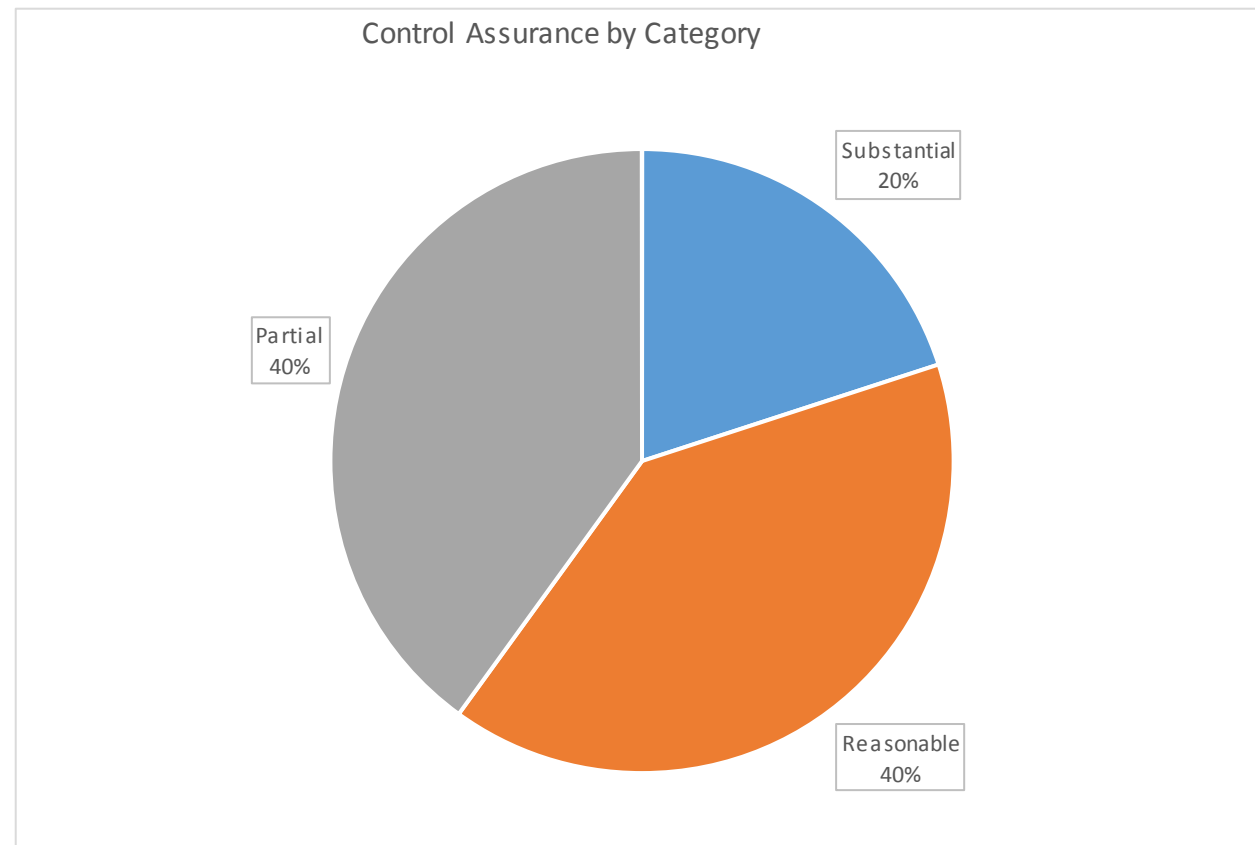
Page 10

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- **Substantial**
- **Reasonable**
- **Partial**
- **None**

Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
Reasonable	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
None	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

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Page 11

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

Audit Framework Definitions

- Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

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Page 12

| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | 1 = Minor ⟷ 5 = M | | | | |
| | | | | | | Recommendation | | | | |
						1	2	3	4	5
Governance, Fraud & Corruption	Small Holdings Phase 1	1	Draft Report							
Governance, Fraud & Corruption	Small Holdings Phase 2	1	In Progress							
Governance, Fraud & Corruption	Project assurance - (Q1 to Q4) Procurement of a Wide Area Network contract	1	In Progress	Ongoing during 2017-18						
Governance, Fraud & Corruption	Project assurance - (Q1 to Q4) - Mosaic Board Governance	1	In Progress	Ongoing during 2017-18						
ICT	Firewall Security management	1	Completed	Reasonable	4	0	0	4	0	0
Operational	Annual Care Assessment Process – Adults Wellbeing	1	Draft Report							
Operational	Areas - Business Support Function – Adults Wellbeing	1	Completed	Advisory	3	0	0	3	0	0
Operational	Help 2 Live @ Home (H2L@H) - Market Intelligence	1	In Progress							
Operational	Safeguarding – Adults Wellbeing	1	Draft Report							
Operational	Data Sharing Protocols	1	Completed	Partial	8	0	0	5	3	0
Operational	Land in public ownership	1	Completed	Advisory	2	0	0	2	0	0
Schools	Schools - prevention of fraud	1	Draft Report							
Special Investigation	Blueschool Refurbishment	1	Completed	Special Investigation	13					
Special Review	Data Sharing Breach	1	Completed	Special Review	2	0	0	1	1	0
ICT	Protection from Malicious Code	2	Completed	Follow Up	_	_	_	_	_	_

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor ⟷ 5 = M Recommendation				
						1	2	3	4	5
Governance, Fraud & Corruption	Serious and Organised Crime Audit Checklist	2	Draft Report							
Grant Certification	Local Transport Block Funding	2	Completed	Grant Certification	1	0	0	1	0	0
ICT	Domain Management	2	Completed	Reasonable	3	0	0	3	0	0
Operational	Residential and Nursing Care	2	In Progress							
Operational	Integrated Short Term Support and Care Pathway - review of each pathway and advisory	2	Moved to quarter 4							
Operational	Integration – Clinical Commissioning Group (Adults and Children's)	2	Moved to quarter 4							
Schools	Children, young people and families - Part time timetables	2	In Progress							
Operational	On-line choice based letting scheme - Homepoint (Home Hunt)	2	Completed	Partial	12	0	0	7	5	0
Operational	New Communications Strategy	2	Dropped							
Operational	Emergency Planning - Public Health	2	In Progress							
Operational	Public Health Contracts	2	In Progress							
Operational	Electronic Signatures	2	Discussion Document							
Grant Certification	Bus Subsidy Grant	2	Completed	Grant Certification	0	0	0	0	0	0
Follow up	SVFS – Schools Follow Up	3	In Progress							
Follow up	Brokerage Follow up	3	Completed	Follow Up	_	_	_	_	_	_
Follow up	Client Finances Follow up	3	Completed	Follow Up	_	_	_	_	_	_

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| Audit Type | Audit Area | Quarter | Status | Opinion | No of Rec | 1 = Minor ⟷ 5 = M | | | | |
| | | | | | | Recommendation | | | | |
						1	2	3	4	5
Follow up	Car parking Income and Enforcement Follow up	3	Completed	Follow Up						
Grant Certification	Troubled Families	3	Moved to quarter 4							
ICT	PSN Submission	3	Completed	Substantial	0	0	0	0	0	0
Operational	EziTracker – Adults Wellbeing	3	In Progress							
Key Control	Accounts Payable	3	Not Started							
Key Control	Accounts Receivable	3	Not Started							
Key Control	Capital Accounting	3	Not Started							
Key Control	Main Accounting	3	In Progress							
Key Control	Council Tax	3	Not Started							
Key Control	NNDR - Business Rates Avoidance	3	In Progress							
Key Control	Payroll - Review of IR35	3	Not Started							
Operational	Short breaks -	3	Not Started							
Operational	Disabled Facilities Grants	3	Not Started							
Governance, Fraud & Corruption	EU General Data Protection Regulation readiness	3	Not Started							
Governance, Fraud & Corruption	Healthy Organisation	3	Not Started							
Follow Up	Property Services - Accounts Payable Follow Up	4	Not Started							

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Page 15

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 = Minor		5 = M		
						Recommendation				
						1	2	3	4	5
Follow Up	Hardware & Software Asset Management	4	Not Started							
Follow Up	Catering Contract Follow up	4	Not Started							
Follow Up	Recruitment Contracts Follow up	4	Not Started							
Follow up	Housing and Council Tax Benefits	4	Not Started							
Operational	Carers (Support for) inc WISH – Adults Wellbeing	4	Not Started							
Operational	Maintenance of property including School Property Maintenance	4	Not Started							
Operational	Mandatory Training	4	Not Started							
Operational	Fastershire BDUK	4	Not Started							
ICT	ICT client management	4	Not Started							
Governance, Fraud & Corruption	Data Quality	4	Not Started							

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
Data Sharing Protocols	Data Sharing Agreements (DSA), Data Exchange Agreements (DEA) and PIAs require reviewing and updating. There was no formal process for review.	There is a risk that data sharing agreements that have been forwarded to IG are not valid, as they are out of date or incomplete, and non-compliance with the DPA 1998 legislation, which may consequently lead to fines from the ICO which could impact on the Council's financial resources. There is a risk that if agreements to share data are not reviewed and resolved promptly, enforcement may not be upheld which may lead to a citizen suffering, and consequential damage to the Council's reputation.	We recommend that during the period between the Information Audits being completed and introduction of the GDPR in May 2018, the Equality and Compliance Manager will schedule time with the Directorate service teams to ensure that Data Sharing and Data Exchange Agreements and Privacy Impact Assessments are in place and that officers are made aware of the new GDPR requirements prior to the legislation changes.	This will inform the development of the GDPR plan and will be carried out as part of the work following the information audits where work on data sharing agreements has been identified. By May 2018 there will be an action plan for further work which will include ongoing work on data sharing agreements. The privacy impact assessment (PIA) process is being reviewed for compliance with the new data protection legislation and any changes to systems that may impact on privacy will require a PIA to be carried out.	Equality and Compliance Manager May 2018

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Page 17

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
Data Sharing Protocols	There is an urgent requirement for Directorate teams to confirm to IG those internal Directorate teams and external organisations that they share and exchange information with, and to request support and advice from IG team where it is needed.	If IG resource is not scheduled with Directorate service teams to ensure that data sharing agreements, data exchange agreements and PIAs are reviewed, created or amended, and officers are not made aware of the GDPR requirements prior to the legislation changes, there is a risk that the Council may be non-compliant with GDPR in May 2018, which may lead to fines from the ICO.

This is in part mitigated by the Information Audits that the IG team are currently carrying out in each Service Area across the three Directorates. | We recommend that the Information Access and Records Manager creates a procedure for the review and follow-up of draft, incomplete, or unsigned Data Sharing Agreements, Data Exchange Agreements and Privacy Impact Assessments to ensure all outstanding agreements and assessments are resolved. | This is agreed, and the procedure will be reviewed and updated. | Information Access and Records Manager October 2017 |

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Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
Data Sharing Protocols	Through our interviews with a sample of officers, we were not able to readily evidence examples of sharing through consent, or evidence that data was shared proportionately, and that decisions to share data without consent, such as instances of risk of harm or suspected criminal activity are recorded.	There is a risk that if guidance is not provided to the Directorate teams to enable them to set up systems to verify and manage consent, ensure that data is shared proportionately, and decisions to share data without consent are recorded, data breaches may occur, and the Council may be subject to fines which will impact on the Council's budget and damage its reputation.	We recommend that the Information Access and Records Manager provides guidance to service areas so that systems can be put in place to ensure that evidence of consent is readily available, data is shared proportionately, and that decisions to share data without consent are recorded, and that these records are controlled and refreshed.	This is will be done through awareness and training, as well as guidance on the Intranet. System owners will be responsible for putting this advice in place.	Information Access and Records Manager March 2018
Online choice based	There are currently	There is a risk that the	We recommend that the		Home Point

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Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
letting scheme – Home Point	526 (as at 31/07/2017) inactive applications (online complete and online incomplete).	Council does not have an accurate reflection of the housing need as the housing need of these applicants has not yet been assessed, due to the applicant not fully completing their application or providing their evidence.	Home Point Team Lead ensures a process is put in place to review and clear down the historic dormant online complete applications. This process then needs to be formally implemented for all new applications and reflected in the Allocations Policy. We recommend that the Housing Solutions and Home Point Team Leader investigate how the online incomplete cases can be managed/closed in the system	Online complete applications. Historic dormant online complete applications will be reviewed and cleared down by 31 March 2018. A process will be put in place by which dormant online complete applications will be reviewed and cleared down on a quarterly basis.

Reflecting this within the Allocations Policy will be considered by Housing Strategy.

Online incomplete applications. The Home Point Team Lead will enquire by end November 2017 with Abritas as to whether there is a system option to send automatic prompts and updates to applicants to inform them of the need to complete their application or provide supporting documentation. If | Team Lead 31 March 2018 |

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
	Annual reviews of active applicants have not been completed since 2014.	There is a risk that the Council does not have an accurate reflection of the housing need as the housing need of these applicants has not yet been reviewed.	We recommend that the Home Point Team Lead implements a plan to tackle historic applications with no 'waiting list review date' and those with a data error	there is no ability for automatic prompts to applicants the Home Point Team Lead will investigate whether this could be done using the 'Next Review Date'.

Active applications will be audited to identify those with no 'waiting list review date'. | Home Point Team Lead 31 December 2017 |
| | Internal key performance measures have not been identified for the service area and there is no regular operational performance reporting taking place. | There is reduced assurance that the Council is aware of how the service area is performing which increases the risk that improvements needed are not be identified. | We recommend that The Community Capacity and Wellbeing Manager in liaison with the Head of Prevention and Support ensures that key measures of performance for the service are identified, then from this SMART KPI's can be identified. Further to this, regular operational reporting needs to be in place with data that is useful to the service. If | Head of Prevention and Support: Key measures of performance for the service will be identified along with SMART KPIs. Performance and Operational Reporting of these indicators will be put in place at the introduction of the new allocations policy and the process that will supersede the current choice based lettings system. | Head of Prevention and Support and Community Capacity and Wellbeing Manager 1 April 2018 |

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
			possible, the operational reporting could make use of scheduled reporting functions within the software.	Community Capacity and Wellbeing Manager: The performance monitoring of housing issues generally across the council is being reviewed currently and this will be brought to AWB DLT for early January.	
	The agreement with Housing Associations is not working as intended.	There is a risk that the Council cannot meet its statutory obligations if the agreements with Housing Associations are not up to date and reflective of all requirements and expectations.	We recommend that The Community Capacity and Wellbeing Manager ensures that any new agreements with Housing Associations are updated following discussions with them. Agreements should include the expectations of all parties involved, including: • the requirement to update an applicant's application as set to housed when their offer is accepted. • the requirement for allocations policies to be in line with the Councils allocation policy	This cannot be undertaken until the nature of the detailed solution for the future management of allocations is agreed and finalised. It may be that the concept of an application being "set to housed" may not exist in a future arrangement.	Community Capacity and Wellbeing Manager 31 July 2018

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Page 22

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action and Responsible Officer
	Instances where applicants are 'skipped' are not monitored.	There is reduced assurance that the Housing Associations are treating applicants consistently and in line with housing policy and regulations.	We recommend that the Home Point Team Lead ensures instances of skipping are monitored centrally to be able to identify patterns and instances of skipping that occur that are not reasonable or in line with the Allocations Policies	Depending on the attributes of the technology available, Registered Providers will be requested or required to complete a drop-down menu setting out reasons for skipping. Reports will be built and scheduled and shared with Registered Providers, thereby enabling central monitoring.	Home Point Team Lead 31 March 2017

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Page 23