

Report of Chief Statutory Housing Services Officer

Report to: Corporate and Governance Committee

Date: 4 July 2012

Subject: Council Housing Assurance Framework 2011-12

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. Housing Services has commissioned an audit programme from Internal Audit, known as the Assurance Framework since 2010/11. The development of the Assurance Framework arose from an audit undertaken on the Housing Services monitoring arrangements of the ALMOs and BITMO in 2008. The Assurance Framework sets out the key objectives for the council in its delegation of housing management functions to the ALMOs and BITMO through governance, asset management, lettings and tenancy enforcement, customer satisfaction, partnerships and service improvement plans. . The Assurance framework is a partnership audit programme that is developed in collaboration with the ALMOs and BITMO. The audits are selected based on an assessment of services listed in the ALMO/ BITMO and Housing Services risk plans as well as corporate priorities, areas of poor performance, and where limited audits have been previously received.
2. In addition to the Assurance Framework, ALMOs commission their own audits from Internal Audit where they are not covered in the Assurance Framework, or for consultancy purposes. The audit opinions are listed in this report for 2011/12.
3. The Council, though its performance management framework, can provide assurance that the ALMOs and BITMO are appropriately managing the risks derived from delegating the housing management functions to them. The Audit reports demonstrate that for the services inspected, assurance is generally of an acceptable or good standard.

Recommendations

4. That Corporate Audit and Governance Committee receive assurance that the management of council housing in the city is being appropriately monitored by the Housing Partnerships team based within Housing Services.

1 Purpose of this report

- 1.1 This report provides the assurance through informing Corporate Governance and Audit Committee of the:
 - 1.1.1 outturn of the Assurance Framework for Council housing management in 2011/12, and the ALMO commissioned audits.
 - 1.1.2 The planned audit areas for 2012/13 commissioned through the Assurance Framework, and by ALMOs.

2 Background information

- 2.1 In September 2010, Corporate Governance and Audit Committee requested annual assurance that the delegated housing management services to the ALMOs and BITMO are appropriately managed. This has been undertaken annually to date, with reports to Corporate Governance and Audit Committee.
- 2.2 The Council's relationship with the three Arms Length Management Organisations (ALMOs) and Belle Isle Management Organisation (BITMO) is one of partnership in the delivery of excellent housing management services for tenants of the council.
- 2.3 The spirit of the Framework is co-regulation. The Framework provides assurance that the ALMOs and BITMO have mitigated the risk areas through their own policy and procedures. These will be objectively assessed by Internal Audit resulting in the development of the annual Assurance Framework audit programme.
- 2.4 All audits are reported to each ALMO/ BITMO Board through its Audit Committee. These audit committees monitor the implementation of the recommendations. Furthermore, ALMOs/ BITMO will provide the audits to customers as evidence of improvement in service delivery. This is usually in the form of newsletter articles.
- 2.5 The greater the level of assurance that the ALMOs and BITMO provide through the annual assurance report, the smaller the audit plan for the subsequent year. In 2010/11 many audits were undertaken to ascertain an assurance baseline based on areas of risk to the council through the delegation of housing management services.
- 2.6 The Audit protocol is that all audits that receive a Limited Assurance have an audit undertaken at least 6 months after the issue of the previous report.

3 Main issues

- 3.1 Housing Partnerships team commissioned Internal Audit to undertake audits to provide objective assurance. Internal Audit undertook audits in 9 services and

one follow up audit. This included 21 Audits in ALMOs/ BITMO and 3 in Housing Services. In addition, the ALMOs/ BITMO commissioned 15 audits themselves.

- 3.2 In 2011/12 a reduced number of audits were undertaken focussing on the areas of high risk, as determined by the ALMO/ TMO and Environment and Neighbourhoods' risk management plans. Furthermore, in order to maximise resources, reduce duplication and deliver value for money it was decided that in some areas an audit would be undertaken in one ALMO only. Once approved by that ALMO's Audit committee, the report and recommendations would be shared with the other ALMOs/ TMO, who would then adopt the recommendations relevant to them. This process was undertaken for 4 Audits listed in table 1. Due to the timing of the audits published in 2011/12, and the dates of the Audit committees, these audits will be shared with the other ALMOs in Q1 and Q2 in 2012/13.
- 3.3 Audits undertaken on the ALMOs/ BITMO commissioned through the Assurance Framework
- 3.4 Appendix 1 provides the opinions on these audits
- 3.5 The audits were on:
- 3.5.3 Corporate Governance – an audit of the corporate governance arrangements in each ALMO/ BITMO.
- 3.5.4 Procurement - a review by Internal Audit on the ALMO self assessment for each ALMO/ TMO.
- 3.5.5 Fire safety - an audit undertaken for each ALMO/ TMO, looking at both the controls and compliance that exist.
- 3.5.6 Lettings Enforcement and Date of Registration Quota: An audit undertaken on compliance of the new aspects of the recent Lettings policy change to enable lettings based on date of registration.
- 3.5.7 Tenancy Enforcement (Tenancy fraud) – an audit on how West North West homes prevented fraud in council tenancies. This was one of the shared Audits. The recommendations of this audit will be shared with the other ALMOs/ TMO for them to implement.
- 3.5.8 Neighbourhood management – an audit in Aire Valley homes to assess the effectiveness of services to estates. This was one of the shared Audits. The recommendations of this audit will be shared with the other ALMOs/ TMO for them to implement.
- 3.5.9 Key Policies: Business Continuity – an audit of Belle Isle TMO to assess its preparation for business continuity. This was one of the shared Audits. The recommendations of this audit will be shared with the other ALMOs/ TMO for them to implement.

- 3.5.10 Scheme of Delegation – an audit on the Scheme in East North East homes. This was one of the shared Audits. The recommendations of this audit will be shared with the other ALMOs/ TMO for them to implement.
- 3.5.11 Gas Servicing: This was a follow up audit on East North East Homes as they received Limited Assurance in 2010/11.
- 3.5.12 It was envisaged that number of financial audits would be undertaken. However, as the ALMO finance teams were restructured as part of the ALMO Business Centre Leeds development, it was decided between Partnerships team, the ALMOs and Internal Audit to defer these audits to 2012/3.
- 3.5.13 The shared audits were:

Table 1 Shared Audits

Audit Service area	Lead ALMO where Audit undertaken
Key Policies: Scheme of delegation	East North East homes
Key Policies: Business continuity	Belle Isle TMO
Tenancy Enforcement (Housing Fraud)	West North West homes
Neighbourhood management	Aire Valley homes

3.6 Audits undertaken on Housing Services:

- 3.6.1 Prevention of tenancy fraud – an audit on compliance with the council policy to prevent fraud in council tenancies.
- 3.6.2 Lettings – an audit on the policy controls
- 3.6.3 Lettings - an audit on the compliance of the application process for customers.
- 3.6.4 Strategic Landlord Central controls – 2010/11. This audit was a backwards looking audit on how Housing Services monitored the ALMOs through its Performance Management Agreement for 2010/11. The audit has yet to be finalised.

3.7 Audits undertaken by Housing Services

- 3.7.5 Housing Services commissioned Leeds Tenants Federation (LTF) to undertake an audit on the development in the city of Tenant Scrutiny. In 2010/11, the then Tenants Services Authority set out new Housing Management Standards for Local Authorities. Government policy was to reduce national regulation, and enable customer regulations. As a result, local authorities and their ALMOs were

expected to develop structures to enable tenants formally to challenge the services offered so they could drive service improvements. The conclusions for the LTF inquiry were that the 3 ALMOs have created Tenant Scrutiny panels and the early enquiries are beginning to see service changes. However, a number of recommendations have been made, such as improved tenant training and greater learning from each other. BITMO will consider developing a Tenants Scrutiny panel in 2012/13.

3.8 Overall the majority of audits received a good or acceptable opinion. The Opinions are stated in Appendix 1. The recommendations from the audits are being monitored by each ALMO/ BITMO Audit Committee. Furthermore, Housing Services receive the reports for these committees and both officers from Internal Audit and Housing Services attend the Audit Committees when invited.

3.9 ALMO commissioned Audits

3.9.1 In addition to the Assurance Framework, the ALMO commission their own audits. These audits are commissioned from Internal Audit if that particular ALMO considers that it requires additional audit coverage to the audits and / or audit consultancy available through the Housing Services commissioned audits. Most ALMOs have a 3 year audit programme, which is reviewed annually. The ALMO commissioned audits and their opinions are listed in table 2.

Table 2: ALMO commissioned audits 2011/ 12

	Opinion	
	Control Assurance	Compliance Assurance
East North East		
Construction Services - Subcontractors	Acceptable	Limited
Health & Safety	Acceptable	Acceptable
Responsive Repairs Gainshare Calculation Mears	Consultancy review - advice given	
Construction Services - Process Review	Good	Acceptable
Construction Services - Managed Stores	Good	Acceptable
Construction Services – Sub contractor Work Allocation process	Consultancy review- advice given	
VFM Efficiencies - Annual Efficiency Statement	Good	Good

Aire Valley		
Social Housing Equality Framework (SHEF)	This was a consultancy audit but the opinion was that AV will obtain the status of 'achieving' the SHEF quality mark.	
West North West		
Planned Capital	Good	Limited
WNW Gas contractor	No assurance	Limited
BITMO		
Responsive day to day repairs – Blackie Ltd (April to October)	Good	Good
Responsive day to day repairs contractor – (October to December)	Good	Too early to consider
Bank Reconciliation and Treasury Management	Substantial	Substantial
Budgetary Control and Performance	Substantial	Substantial
Payroll and Personnel	Substantial	Substantial

Proposed Audit Programme for 2012/13

3.10 The Council and the ALMOs have agreed the Assurance Framework audit programme for 2012/13. All ALMOs were consulted at the Strategic Governance Board in March 2012, and it was approved by the Director of Environments and Neighbourhoods Decision Panel in April 2012.

3.11 The proposed audits are stated in Table 3 and 4:

Table 3 – Assurance Framework Audits to be completed by Internal Audit

Area	Scope of Audit
Contract Management Arrangements	To review the overarching processes around contract management and procurement. To review the contract management arrangements in place within the ALMOs for major contracts, such as Responsive Repairs and Gas Servicing.
Self Assessment Support	To provide support in the development of the self assessments by the ALMOs/ BITMO.
Fraud Prevention and Detection	To review the strategies in place at the ALMOs/BITMO to reduce the risk of tenancy fraud. This will be done with a self assessment to be completed by the organisation, and for Internal Audit to undertake validation testing as appropriate.

Self Assessment Implementation	To review the process in place within the Strategic Landlord with regard to the self assessments completed by the ALMOs/ BITMO. This will provide assurance that the self assessment process is working as intended.
Corporate Governance Arrangements	To review key risk areas within Corporate Governance to be determined by the ALMOs / BITMO and Strategic Landlord based on a risk assessment of individual corporate Governance Areas. It is intended that for 2012/13 this will include Information Governance.

ABCL	
<ul style="list-style-type: none"> Bank Reconciliation & Treasury Management 	A review of Treasury Management arrangements and the processes in place for carrying out the bank reconciliations.
<ul style="list-style-type: none"> Creditors 	A review of the processes in place for raising orders, receipting goods, authorising invoices and producing and monitoring management information
<ul style="list-style-type: none"> Budgetary Control 	A review of the processes in place for setting the budget and carrying out budget monitoring throughout the year.
<ul style="list-style-type: none"> Payroll 	A review of the processes in place for new starters, leavers, variations to pay, reconciling the payroll system to the general ledger and producing and monitoring management information.

Table 3 – Assurance Framework Self Assessments to be completed by ALMO / BITMO

Area	Scope of Self Assessment
Repairs Health and Safety Audit	To provide assurance that effective health and safety provisions are in place.
Lettings	To provide assurance that the lettings policy is adhered to.
Sheltered Housing	To provide assurance that the sheltered housing service is of high quality.

Area	Scope of Self Assessment
Environmental Management	To provide assurance of effective environmental management.

3.12 For ALMO commissioned audits Housing Services and the ALMOs have agreed that, to avoid duplication, the Assurance Framework audit programme would be initially agreed, and then each ALMO would procure its own audit programme to complement the Assurance Framework audits.

3.13 ALMOs/ BITMO have not yet finalised their own commissioned audit plan for 2012/13. These will be finalised in preparation for the first ALMO Audit committees of 2012/13, to be held in late June/ early July.

Table 5 ALMO commissioned Audits 2012/13

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.6 The Assurance Framework provides the council with assurance that the key risks to the council through delegating housing services are managed, but also assurance to ALMO boards and council tenants that their housing management services are being adequately managed.

4.1.7 As a result each ALMO/ TMO reports the outcome of audits undertaken on its services to its Audit committee or Board. Furthermore, these committees then monitor the ALMO / TMO to ensure that the recommendations are adequately implemented.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The audits commissioned through the Assurance framework or by individual ALMOs provide assurance that the Housing Services ensures that due regard to equality is provided through its service provision. An Equality Impact Assessment has been undertaken for the approval of the commissioning of the Assurance Framework, and by each ALMO when commissioning their audit programs.

4.2.2 Equality and diversity matters are considered where appropriate in the controls and compliance of all audits. A specific example of an audit that has focussed on equality and diversity is the Aire Valley audit on the delivery of the Social housing Framework, a national social housing quality assessment on equality and diversity, which resulted in an audit opinion that Aire Valley are expected to achieve this standard.

4.3 Council policies and City Priorities

4.3.1 The audit framework meets the councils priorities to ensure that Leeds is the best city in the UK through ensuring that money is spent 'wisely'.

4.4 Resources and value for money

4.4.1 There is sufficient budget allocation made available for the Assurance Framework in 2012/13 and for the ALMO/ BITMO commissioned Audits.

4.5 Legal Implications, Access to Information and Call In

4.5.1 There is not a legal requirement to commission audits, however the commissioning of Audits is good practice to provide assurance that money is appropriately spent and that governance matters and processes are effective.

4.5.2 This report does not have any Access to Information implications.

4.5.3 Call in is not applicable to this report as this report is not a key decision.

4.6 Risk Management

4.6.1 One of the main drivers to have an audit programme is to mitigate any risks using a process that investigates particular service areas in depth. This is undertaken by a trained team of specialist auditors. There is considerable evidence that the audits undertaken in 2011/12 have mitigated a number of risks.

4.6.2 The development of the 2012/13 Assurance Framework programme has been derived from:

- an assessment of the ALMO and Environments and Neighbourhoods directorate risk management plans,
- services that have had a previous limited audit opinion, or where key weaknesses have been identified .
- Services where there has been a recent configuration of the service, or it is a new service which is important to the customer delivery.
- Services where it is known that performance is poor.
- Services that are key corporate prioritise for the authority.

4.6.3 From these drivers, both the Assurance Framework and the ALMO commissioned audits are then selected and briefs then developed in consultation with all stakeholders.

5 Conclusions

5.7 The Council, through its performance management framework, can provide assurance that the ALMOs and BITMO are appropriately managing the risks derived from delegating the housing management functions to them.

5.1 The audits and reviews undertaken in 2010/11 provide the Council with assurance against the risks of delegating housing management to the ALMOs and BITMO.

5.2 The Audit reports demonstrate that for the services inspected, assurance is generally of an acceptable or good standard. Where Limited assurance has been found, then follow up audits have been undertaken.

5.3 All audit reports are reviewed by the Audit committees of each ALMO Board which meet quarterly. They review implementation of each recommendation made, focussing on the high risk recommendations.

6 Recommendations

6.1 That Corporate Audit and Governance Committee receive assurance that the management of council housing in the city is being appropriately monitored by the Housing Partnerships team based within Housing Services.

7 Background documents¹

7.1 Council Housing Assurance Framework, Corporate Governance and Audit Committee, 18 July 2011.

7.2 Council Assurance Framework for ALMOs/ BITMO , Corporate Governance and Audit Committee 29 September 2010.

7.3 The development of performance indicators and targets, assurance framework audits and satisfaction surveys for the Leeds ALMOs and BITMO, Environment and Neighbourhoods Decision Panel, 11 April 2012.

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.