

Northampton Borough Council Internal Audit Report 2008-09 Housing Rents Review

Report No. 08_09 NBC 10 –

Assurance rating this review	No Assurance
Assurance rating previous review	Limited Assurance

Distribution List

Tim Ansell – Housing Services Manager
Matt Arnold – Northgate Kendrick Ash
Phillip Ralph – Rent Income Team Leader
Julie Petrie – Quality and Systems Manager (Housing)
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Contents

Section	Page
Background and scope	1
Our opinion and assurance statement.....	3
Limitations and responsibilities	6
Findings and recommendations.....	7
Follow up of prior year's recommendations	20
Appendix 1 - Terms of Reference.....	28
Appendix 2 - Assurance ratings.....	31

Timetable

Action	Planned date	Actual date
Agreement of terms of reference	24 October 2008	24 October 2008
Fieldwork start	10 November 2008	10 November 2008
Fieldwork complete	28 November 2008	12 December 2008
Draft report to client	31 December 2008	16 January 2009
Response by client	6 February 2009	
Final report		

Background and scope

Introduction

The Housing Rents Review was undertaken as part of the 2008/09 Internal Audit plan agreed by the Audit Committee.

This report has been prepared solely for Northampton Borough Council in accordance with the terms and conditions set out in our contract dated 1st January 2007. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Background

This report is intended to inform management of the results of our review of Housing Rents. This review has been undertaken as part of the Core Financial Systems audit work included within the 2008/09 Internal Audit Plan. This report reflects our findings over the controls and processes in place as at the time of our internal audit fieldwork which took place during November and December 2008.

The IBS Housing Rents System was implemented in October 2007 replacing the IHSL system. A separate review was carried out on the implementation of this system in the prior year.

At the time of our review Housing Rents was in the early stages of a restructuring exercise which will bring together the tenancy and rents officers together into one team. This is expected to increase the efficiency of the housing rents function.

Approach and scope

Approach

Our work is designed to comply with Government Internal Audit Standards [GIAS] and the CIPFA Code.

Scope

In accordance with our Terms of Reference (Appendix 1), agreed with the Head of Finance and Interim Housing Services Manager, we undertook a limited scope audit of Housing Rents .

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference.

Staff involved in this review

We would like to thank all client staff involved in this review for their co-operation and assistance.

Name of client staff
Tim Ansell – Interim Housing Services Manager
Phillip Ralph – Rent Income Team Leader
Matthew Arnold – Northgate Kendrick Ash
Julie Petrie – Quality & Systems Manager (Housing)
Philip Morrison – Finance Manager
Lesley Wearing – Director of Housing





Our opinion and assurance statement

Introduction

This report has been issued in draft and therefore findings are subject to amendment or withdrawal. Our definitive opinions and conclusions will be those contained in the final report.

This report summarises the findings of our review of Housing Rents.

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the Authority's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall Authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; and/or has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Summary of Findings

Our detailed findings and recommendations are set out in the findings and recommendations section of this report. The table below summarises the number of findings raised and the priority rating assigned.

Risk Rating	Number of findings
Critical	0
High	5
Medium	8
Low	1
Total	14

Opinion

We are required to provide an opinion on the adequacy and effectiveness of internal control in relation to the area under review. Our opinion is based on the work performed as set out in the agreed terms of reference and is subject to the inherent limitations set out in the limitations and responsibilities section of this report. We also provide an assurance statement for the area under review.

Design of the controls under review

We identified 6 weaknesses in the design of controls in relation to the Housing Rents system, 1 of which has been assessed as high risk. In our opinion this control weakness is likely to have a significant impact on the achievement of the key objectives of the Housing Rents system.

Operation of the controls under review

We identified 8 instances where the controls were not operating as designed in practice at the time of our audit. 4 of these control weaknesses have been assessed as high risk. Based upon the sample testing performed, in our opinion these control weaknesses are likely to have a significant impact on the achievement of the key objectives of Housing Rents system.

Value for Money

During our review we did not identify any specific value for money issues.

Assurance statement

No Assurance

There are weaknesses in the design and/or operation of controls which in aggregate could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.

It is appreciated that there is a restructuring of departments currently underway. Plans have been made to bring together tenancy and housing rents officers into one team. This should help to improve service delivery and address some of the weaknesses raised.

Follow-up

The table below summarises the recommendations made during our 2007/08 review of Housing Rents and their current status. Action has been taken by management to address the weaknesses raised and over half of these weaknesses have since been addressed.

Risk Rating	Number of findings	Implemented or no longer relevant	Outstanding or partially implemented
Critical	0	N/a	N/a
High	3	2	1
Medium	9	4	5
Low	4	4	0
Total	16	10	6

Where issues have been identified as outstanding these have been raised once again in the main body of the report and a revised management response requested.

As a minimum a follow-up review of all the agreed actions should be undertaken as part of the 2009/10 internal audit plan. In addition, consideration should be given to undertaking a follow-up review prior to year-end to assess progress being made.

Detailed findings and recommendations

Our detailed findings and recommendations are set out in the findings and recommendations section of this report. Management responses are included which identify actions to be taken, responsibility and timeframe.

Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of Housing Rents, subject to the following limitations.

Internal control

Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

The assessment of controls relating to Housing Rents is that historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Findings and recommendations

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Control Design						
1	User accounts are set up and used inappropriately.	The IBS system does not record the date when new users were added to the system. Subsequently there is no way to identify when individuals were granted access to the system meaning there is a lack of an audit trail.	● Low	The Technical Support Team should investigate with the software suppliers whether this function can be added to the system to enable reports to be produced detailing when users started on the system for audit and for management purposes.	Julie Petrie Agreed and this will be looked in to. This has been logged with the software supplier as an enhancement request.	Julie Petrie December 2008

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
2	<p>Average void period could be under reported.</p> <p>Reduction in rental income due to longer void periods.</p>	<p>It was noted during the review that void periods had increased significantly since June 2008 when the average void period was 21.42 days:</p> <ul style="list-style-type: none"> • August 32.26 days • September 43.25 days • October 34.75 days <p>Further investigations with management, which included reviewing the start and end dates of properties on the void reports, indicated that these were different from the tenancy start and end dates on the IBS system. An initial examination indicated that the length of void periods may actually be under reported.</p>	<p>● High</p>	<p>The Council should investigate the reasons for the deterioration in voids performance and include a review of the accuracy and reliability of the underlying data supporting the void period.</p> <p>Consideration should also be given to increasing monitoring arrangements over voids until performance improves.</p>	<p>Lesley Wearing Agreed</p> <p>The launch of Choice Based Lettings (CBL) resulted in several long-term empty properties being let after being difficult to allocate under the previous system. This was anticipated and performance is now improving.</p> <p>A weekly meeting is held with Void Improvement Group, actions will be formulated to address issues raised from round seven CBL review and a Service Improvement Team has been established to address the process issues arising..</p> <p>The system used for calculating the void end period as date tenant signs for tenancy was checked with the Audit Commission, and confirmed formally by them on 20th October 2006 as correct and reaffirmed following this query.</p>	<p>Housing Solutions Manager</p>
January 2009	PricewaterhouseCoopers LLP					

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
3	Income may not be identified and allocated correctly.	Currently the suspense accounts for Housing Rents are not being reviewed and cleared on a regular basis. The total balance on the three holding accounts as at 13 November 2008 was £12,000.	● Medium	Suspense accounts should be reviewed and cleared on a regular basis.	Agreed. Will be addressed as part of the restructure, and the creation of a rental income team. Management previously identified this issue and the new structure will enable dedicated resources to be applied. At present the suspense accounts are jointly reviewed by housing and finance on a monthly basis.	Tim Ansell December 2008
4	Incorrect payments or postings are not easily identified.	No exception reports are run by rent income section to identify potential variances in rental income between periods. These could be used to identify incorrect payments or postings. This issue was also raised during our 2007/08 review of Housing Rents.	● Medium	Exception reports should be run on a monthly basis to show variances in payments between periods. Those over a designated threshold (e.g. a set percentage and monetary amount) should be reviewed to ensure that correct payments have been made.	Lesley Wearing, Phillip Ralph and Tim Ansell: Cash collection is monitored but variances are usually very low. Agreed, but as suspense accounts are monitored on a monthly basis this mitigates the risk, as large variances would be identified.	Tim Ansell December 2008

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
5	Adjustments to rent accounts may be incorrect or inappropriate.	<p>Tenancy Support Officers do not routinely produce exception reports disclosing amendments made to rent accounts.</p> <p>This issue was also raised during our 2007/08 review of Housing Rents.</p>	<ul style="list-style-type: none"> ● Medium 	<p>Periodic exception reports should be generated from the IBS system to highlight amendments to rent accounts. All amendments should be reviewed for reasonableness and evidenced as such.</p>	<p>Tim Ansell and Lesley Wearing</p> <p>Agreed</p> <p>At present a manual list is kept of all adjustments and this is countersigned on a monthly basis by a team Leader.</p> <p>In light of the feedback received an IBS generated report has been developed that reports all manual adjustments on a weekly basis.</p> <p>In the short term this will be received by team leaders in housing Management but post restructure this responsibility will move to the dedicated rentals team (from 31 March 2009)</p>	<p>Tim Ansell</p> <p>December 2008</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
6	Credit balances could be misappropriated.	<p>It was not possible to validate that credit balances on quit accounts are reviewed. Whilst reports are produced, these are not annotated to indicate the action taken.</p> <p>At the time of audit there were 552 credit cases on the quit account totalling approximately £75,000.</p> <p>This issue was also raised during our 2007/08 review of Housing Rents.</p>	<ul style="list-style-type: none"> ● Medium 	Quit accounts should be reviewed on a regular basis and a record of the outcome retained detailing actions taken.	<p>Tim Ansell</p> <p>Agreed.</p> <p>These have now been reviewed.</p> <p>Since the first week of December these have been reviewed on a weekly basis and now stand at 478 cases totalling £45,000. Of this in excess of £10,000 is contained on quit accounts with no forwarding address.</p>	<p>Tim Ansell</p> <p>December 2008</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Operating effectiveness						
7	Increased risk of unpaid arrears if insufficient checks are performed prior to right to buy completions.	For 1 out of 3 right to buy property sales tested, the right to buy record held did not indicate whether the individual purchasing the property had council tax arrears with the Council.	<ul style="list-style-type: none"> ● Medium 	Prior to the completion of right to buy sales the Council should confirm whether the individual has council tax, sundry debt, rent or any other type of arrears. If this is the case the arrears should be paid prior to completion of the right to buy sale.	<p>Joanne Hammond</p> <p>Formal response required</p>	

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
8	<p>Increased risk of unidentified errors which could worsen over time if not resolved.</p> <p>Inaccurate housing rents figures on the ledger.</p>	<p>Data transfers between IBS and the general ledger are due to be carried out on a weekly basis.</p> <p>However, data was not being transferred between the two systems during April and May 2008. These data transfers were carried out during June 2008.</p> <p>Furthermore, planned data transfers for September and October 2008 were carried out more than a month after the weeks to which the data related to.</p> <p>As at the time of audit on the 17 November 2008 data transfers had not yet been carried out for week ending 26 October 2008.</p> <p>In addition, the IBS system was not reconciled to the general ledger between weeks 1 and 20 of the current financial year.</p> <p>A bulk reconciliation was performed at week 20 which resulted in large reconciling credits of over £10.3 million due to lack of sufficient coding being set up on Agresso to enable these credits to be posted. These have been reconciled but the differences remain due to the continued lack of codes on Agresso.</p> <p>At week 30, another bulk reconciliation was performed but the coding issues had not yet been resolved.</p>	<p>● High</p>	<p>The IBS/General Ledger data transfer should be performed on a weekly basis.</p> <p>Sufficient codes should be set up within Agresso as soon as possible to enable IBS data to be fully posted to the Agresso system.</p> <p>Reconciliations should be performed on a periodic basis, either weekly or monthly, in order to identify any discrepancies which are then resolved on a timely basis.</p>	<p>Phillip Morrison and Julie Petrie</p> <p>Agreed in principle with the findings although further investigation will be carried out regarding the large reconciling item.</p> <p>The review work is nearing completion.</p> <p>The majority of the £10.3m credits related to payments and housing benefits that are not interfaced from IBS but are in Agresso via interfaces from the service feeder systems and subject to separate reconciliations (e.g. cash, housing benefits). The differences are therefore not down to the lack of codes on Agresso in those instances. Coding was not set up immediately for the additional functions added to IBS in year (e.g. temporary accommodation and private sector leasing). This is being addressed.</p>	<p>Phillip Morrison</p> <p>With immediate effect</p> <p>Implementation date 1/4/2009 for ongoing weekly interfaces and reconciliations to be performed.</p> <p>Implementation date 20/2/2009 for all coding to be in place to ensure the additional functions added to IBS can be brought over.</p>
January 2009			13			PricewaterhouseCoopers LLP

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
9	Income collected from housing rents is not maximised.	<p>It was noted that the Council's performance in relation to rent collection (BVPI 66a) and rent arrears (BVPI 66b) are below target.</p> <p>Performance as at September 2008:</p> <p><u>BVPI 66a</u></p> <p>Cumulative performance at September 2008 95.44%</p> <p>Annual target 97.80%</p> <p>The rent due for September was £4,238,884 with an amount of £4,199,362 being collected. This represents a collection rate of 99.07% during the month. The cumulative performance is affected by the large brought forward arrears balance at the start of the year.</p> <p><u>BVPI 66b</u></p> <p>Cumulative performance at September 2008 9.23%</p> <p>Annual target 7.50%</p> <p>Rent arrears performance has improved significantly from previous year's review but is still below target.</p>	<ul style="list-style-type: none"> ● Medium 	<p>The Council should continue to target those tenants who are slow to pay or with significantly aged arrears to help improve their performance against these PIs.</p> <p>BVPIs are no longer reported externally and therefore the Council should also consider whether the information being provided to management is sufficient and appropriate.</p>	<p>Phillip Ralph Agreed</p> <p>Cumulative performance at 31 December 2008 was 95.83% for BVPI 66a. The monthly collection rate for December 08 was 111.36%, which shows a continuing upward trend in performance. The figure for BVPI 66b was 8.42% a continuing (good) downward trend.</p> <p>The decision was made to continue to report BVPIs as part of the Service Improvement Plan.</p> <p>The rent income action plan provides for the targeting suggested</p> <p>INTERNAL AUDIT COMMENTS:</p> <p>Can you please advise how the 2% figure has been arrived at and how this is seen as representative of a 'good' council?</p>	<p>Phillip Ralph December 2008</p> <p>The carry forward figure of £1.8m. owing at the end of the year represents about 4% of the annual debit and distorts performance figures during the year as 104% of the annual rent roll becomes collectible for the BVPI. The strategy is to reduce that carry forward figure to 3% or less by 31 March 2009 and down to less than 2% by the end of year 2009/10. This will take BVPI 66a out of the bottom quartile from 1 April 2009 (but not the current year).</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
10	Refunds are made without appropriate authorisation.	<p>For 3 out of 30 refunds tested there was no written tenant request on file, however, there is no reason to suspect any irregularities with these refunds.</p> <p>On one occasion the refund voucher had not been authorised. It was noted that the total and the grand total differed by £16 and these had been circled, possibly by the reviewer but the refund had been processed anyway.</p>	<ul style="list-style-type: none"> ● Medium 	<p>Refunds should only be granted upon receipt of a written request by the tenant and all refunds should be appropriately authorised.</p>	<p>The Council started direct debit payments from April this year. Bank errors over standing orders meant that refunds had to be made quickly to correct double payments as the tenants would have been in financial difficulty.</p> <p>Agreed that all refunds should be appropriately authorized.</p> <p>All refunds are currently raised by a TSO and countersigned by a senior officer.</p> <p>It is not always the case that written requests are submitted for a refund as shown by the D/D introduction, when a number of tenants had not cancelled their standing orders and were in effect paying rent twice. In these instances forms were completed by officers to ensure that tenants suffered the minimum period of inconvenience</p>	<p>Tim Ansell December 2008</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
11	Debt may become irrecoverable and unnecessarily written off.	<p>Testing of 30 large arrears cases noted that appropriate action was not always taken. The following points were noted;</p> <ul style="list-style-type: none"> • Cases 238251, 73820A, 740881: missed payments not followed-up; • Case 104878: 3 missed payments have not been followed-up despite agreement stating that missed payments would result in a warrant; • Case 244128: insufficient arrangements as arrears aren't decreasing; and • Case 705502: account wasn't updated on a timely basis to reflect current status of recovery. <p>This issue was also raised during our 2007/08 review of Housing Rents.</p>	<p>● High</p>	<p>The Council should ensure that the agreed arrears recovery procedures are being implemented consistently and in full.</p> <p>This could be ensured through regular review of recovery cases or additional training for rent officers in the process.</p>	<p>Lesley Wearing Agreed.</p> <p>The Rent Income team is currently focused on those cases with a high risk of significant rent loss. As the arrears position improves further emphasis can be placed on those cases presenting a lower monetary risk.</p> <p>The re-structure being implemented from 31 March 2009 will enable greater focus and supervision on both major cases and on new tenancies.</p>	<p>Housing Services Manager Immediately</p> <p style="text-align: right;">31 March 2009</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
12	Increased risk of inappropriate and unauthorised transactions being made.	<p>Through testing of 5 manual credit account adjustments the following exceptions were noted:</p> <ul style="list-style-type: none"> In 2 cases there was no information on the tenancy file detailing why a credit had been applied. In 1 instance there was a delay of 6 weeks between the tenancy ending and the manual credit adjustment being processed on the system. <p>Through testing it was also noted that it is possible for a tenancy officer to clear arrears with a manual credit adjustment without authorisation being required on the system, effectively writing off the arrears and bypassing the normal write off procedure.</p>	<ul style="list-style-type: none"> High 	<p>The Council should ensure that all tenancy officers record sufficient information on the system detailing why an adjustment has been made and all terminations of tenancies are performed on a timely basis.</p> <p>In addition, management should consider limiting access to the credit adjustment function or introducing a review of all adjustments made to ensure the system is not being used inappropriately.</p>	<p>Tim Ansell</p> <p>We will investigate whether the credit function can be amended on the system.</p> <p>Tenancy support officers only have this function.</p> <p>A small number of staff have access to authorise these and there may be paper authorisation for these cases.</p> <p>A weekly adjustment report has now been developed that will be countersigned by a team leader. In addition we are currently exploring the possibility of computerized secondary sign off of all adjustments with IBS.</p>	<p>Tim Ansell</p> <p>Immediate investigation</p> <p>January 2009</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
13	<p>If arrears are not allocated correctly and notices to quit issued promptly the Council could be losing out on revenue.</p>	<p>Through testing of 5 manual debit account adjustments the following exceptions were noted:</p> <ul style="list-style-type: none"> In 3 instances the arrears had been allocated to the wrong accounts. In one case rent payments were being allocated to a deceased tenant's account, in another case the rent was being allocated to an incorrect address and in one case the tenant had been incorrectly billed as the liability wasn't his. This tenant also had recovery letters sent to him; An instance was noted where the notice to quit was served 5 months after a tenant's death; and In one case the notice to quit gave less than two weeks to vacate, but this should have been one month's notice. 	<p>● High</p>	<p>All tenancy officers should be informed that adjustments should have clear audit trails on the accounts to demonstrate why the adjustment has been made. In addition, termination of tenancies should be performed on a timely basis. Rent should be allocated to the correct accounts and actions against the tenant who was not liable should be ceased.</p> <p>Notices to quit should be served with a one month notice period and on a timely basis.</p> <p>A recommendation regarding a periodic review of adjustments has been made in recommendation 6. This should be implemented immediately and adjustments investigated by management.</p>	<p>Housing Services Manager Agreed . Cases have been reviewed and training requirements identified.</p>	<p>Tim Ansell January 2009.</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
14	Inaccurate performance reporting.	<p>BVPI66b (number of tenants with 7 weeks' arrears as percentage of tenants) for July and August 2008 appear to have been reported using incorrect figures.</p> <ul style="list-style-type: none"> • For August the actual figure was 8.85% as opposed to the 9.51% reported. • For July the actual figure was 10.14% as opposed to the 10.19% reported. <p>In both instances the Council appears to have performed better than the initial figures reported, however the total number of tenancies which is used in the calculation could not be verified due to insufficient records being retained.</p>	<ul style="list-style-type: none"> ● Medium 	<p>Although BVPIs are no longer reported externally, the Council should ensure that relevant performance information is accurately recorded and reported upon.</p>	<p>Housing Services Manager</p> <p>As previously stated, the decision was made to retain the BVPI structure pending a full scale review of PIs for 2009/10 and as part of the Service Improvement Plan</p> <p>The Council was aware of this anomaly at the time of the review, and had already taken remedial action to rectify.</p>	<p>October 2008</p>

Follow-up of prior year's recommendations

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Management response	Officer responsible & implementation date	Current Status
Control Design						
1	It was noted that reconciliations of ICON (cash) to Northgate (Housing Benefits) and IBS (Rents) systems are not signed to evidence performance or review.	● Low	All reconciliations should include a front sheet which should be signed and dated to evidence timely performance and independent review.	Agreed A front sheet will be designed in agreement with Finance and introduced in the new financial year.	Julie Petrie 1 April 2008	Implemented
2.	No exception reports are run by rent income section to identify potential variances in rental income between periods. These could be used to identify incorrect payments or postings.	● Medium	Exception reports should be run on a monthly basis to show variances in payments between periods. Those over a designated threshold (e.g. a set percentage and monetary amount) should be reviewed to ensure that correct payments have been made.	Agreed The Housing department is undergoing a restructure at present. It is hoped that after this is complete, a dedicated team will investigate what exception reports can be run by IBS.	Phillip Ralph 30 June 2008	Outstanding Potential mitigating controls are in place in that there are suspense accounts for rent income. However, these are not regularly reviewed at present. Re-raised in main body of the report - see recommendation 4.

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Management response	Officer responsible & implementation date	Current Status
3.	A regular review is not performed on 'N' cases (those tenants whose arrears are being collected at £3 per week) to ensure that tenants are still in receipt of full benefit.	<ul style="list-style-type: none"> ● Medium 	<p>A periodic review of 'N' tenants should be carried out. All cases should be cross referenced to the benefits system to ensure tenants are still in receipt of full benefit. Where tenants are no longer receiving support, the case should be referred to a rent officer to commence recovery action.</p>	<p>Agreed</p> <p>Due to the large arrears balance at the start of the year, the main focus of the department was the reduction of larger debts.</p> <p>Now these have been reduced, time can be spent focusing on smaller debts. This will involve review of N case.</p> <p>IBS now flags where benefits have changed. This will enable cases to be identified.</p>	Phillip Ralph 7 April 2008	Implemented

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Management response	Officer responsible & implementation date	Current Status
4.	It was not possible to test refunds/rebates processed on IHSL as a report could not be run to identify refunds made.	<p>● Medium</p>	The authority should ensure that regular reports on refunds are run and checked to ensure that all have been appropriately authorised.	<p>Agreed The functionality of IHSL did not allow refunds/rebates reports to be run. This function is possible on IBS and therefore reports will be produced on a monthly basis going forward.</p>	<p>Tim Ansell With Immediate Effect</p>	Implemented
5.	It was noted that refund vouchers are not being numerically batched or filed in one location. As such it is not easy to locate specific vouchers.	<p>● Low</p>	Consideration should be given to including a cell on vouchers for recording the batch number and all vouchers should be stored in numerical order in the same location.	<p>Agreed A new filing system will be investigated and implemented to ensure that vouchers can be located.</p>	<p>Tim Ansell 31 May 2008</p>	Implemented

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Management response	Officer responsible & implementation date	Current Status
6.	<p>It was noted during our review that there seems to be a lack of communication between Housing Rents, Housing Benefits and Sundry Debtors teams in relation to ensuring that a joined up approach is taken to those in Council provided accommodation and the payments process.</p>	<p>● Medium</p>	<p>Efforts should be made to encourage communication channels between departments and protocols put into place.</p>	<p>Agreed Housing Benefits A protocol is currently being drafted to outline liaison arrangements between the departments. This will be reviewed by Kendrick Ash. Sundry Debtors A protocol has recently been put in place to cover how queries on evictions and debt recovery should be dealt with between the two departments.</p>	<p>Phillip Ralph, Tim Ansell, Sue Dale Housing Benefits With immediate effect Sundry Debtors 30 June 2008</p>	<p>Implemented</p>
7.	<p>Tenancy Support Officers do not routinely produce exception reports disclosing amendments made to rent accounts.</p>	<p>● Medium</p>	<p>Periodic exception reports should be generated from the IBS system to highlight amendments to rent accounts. All amendments should be reviewed for reasonableness and evidence as such.</p>	<p>Agreed Reports will now be run and signed off by tenancy support managers to indicate that amendments are reasonable.</p>	<p>Tim Ansell 30 April 2008</p>	<p>Outstanding Exception reports are currently not being produced. Re-raised in main body of the report - see recommendation 5.</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Management response	Officer responsible & implementation date	Current Status
8.	<p>The 07/08 rent increase was posted to IHSL using an interface whereby data was received from Finance in spreadsheet format that was subsequently converted into a format that was accepted by and uploaded to IHSL. There was no formal reconciliation produced between the posted information and the output control report.</p>	<p>● High</p>	<p>In future years the Authority should carry out a formal reconciliation to provide comfort that rate increases have been correctly uploaded into IBS.</p>	<p>Agreed Agreed that no formal reconciliation took place during 07/08. IBS will automatically calculate rent increases and a check will be performed to ensure this was completed correctly.</p>	<p>Julie Petrie 1 April 2008</p>	<p>Implemented</p>
9.	<p>There has been no reconciliation between the IBS system and the general ledger since the system was implemented in October 2007. In addition the reconciliation of Agresso to IHSL for the period 1 July 2007 to 31 September 2007 was not completed until March 2008</p>	<p>● High</p>	<p>The Authority should ensure that a comprehensive and well documented reconciliation is performed for balances at year end. Going forward a periodic reconciliation should be performed and reviewed on a timely basis. Any reconciling items should be identified and cleared promptly. Procedure notes should be drawn up for the process and distributed to all responsible officers.</p>	<p>Agreed A full year reconciliation is to be performed at year end following the completion of the interface between Agresso and IBS. A weekly reconciliation will be performed between the two systems from April 2008.</p>	<p>Phil Morrison 1 April 2008</p>	<p>Outstanding A recommendation has been raised in the main body of the report regarding reconciliations between the Agresso and IBS systems - see recommendation 8.</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Management response	Officer responsible & implementation date	Current Status
10.	The Authority does not currently offer the option to pay rent by Direct Debit.	<p>● Low</p>	Action should be taken to implement payment by Direct Debit and this option communicated to all tenants.	<p>Agreed The option of direct debit has since been communicated to Standing Orders tenants. The first BACS transfer will be processed on 8th April 2008. If successful, this option will be rolled out across all accounts.</p>	<p>Phillip Ralph With immediate effect</p>	Implemented

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Management response	Officer responsible & implementation date	Current Status
Control Effectiveness						
11.	<p>The level of rent arrears for current tenants has increased during 07/08. The level of debt at the start of the year stood at £1.7m and has now worsened to £1.9m.</p>	<p>● High</p>	<p>Resources should be dedicated to reducing the arrears balance. Efforts should be made to implement recovery action early on to reduce the risk of bad debt.</p>	<p>Agreed The increase in arrears in 07/08 can be attributed to a number of factors:</p> <ul style="list-style-type: none"> • The loss of 5 members of staff; • The introduction of new working practices by Kendrick Ash; • The introduction of IBS. <p>Now changes have all settled, efforts will be made to rectify the arrears situation. IBS allows arrears data to be interrogated and trends monitored. It is therefore envisaged that trend reports will be produced and reviewed on a weekly basis.</p>	<p>Phillip Ralph With immediate effect</p>	<p>Implemented</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Management response	Officer responsible & implementation date	Current Status
12.	Testing of 25 tenancies identified 2 instances where a signed tenancy agreement for the current address was not held on file. (refs 143686 and 174508)	<p>● Medium</p>	<p>A current signed tenancy agreement should be held on file for all tenants. In addition the authority should review the 2 cases identified and establish why current agreements are not on file and establish whether this also applies to other tenants.</p>	<p>Agreed Tenancy agreements should be in place without exception. Cases noted will be investigated and new agreement issued.</p>	<p>Tim Ansell With Immediate Effect</p>	<p>Implemented</p>
13.	<p>In 4/25 recovery cases tested, appropriate action had not been taken.</p> <ul style="list-style-type: none"> 247749: No action has been taken since a home visit 2 months previous; 520460: No recovery action has been taken despite tenant being off Housing Benefit; 586005/678271: Arrears action has not been amended to reflect changes in benefit entitlement. 	<p>● Medium</p>	<p>The Authority should ensure that the agreed arrears recovery procedures are being implemented consistently and in full. This could be ensured through regular review of recovery cases or additional training for rent officers in the process.</p>	<p>Agreed All cases mentioned are 'smaller' debts. Therefore due to the emphasis on recovering large balances these may have not been addressed in a timely fashion. See response to exception #3</p>	<p>Phillip Ralph 7 April 2008</p>	<p>Outstanding A recommendation regarding recovery cases has been made in the main body of the report following testing carried out - see recommendation 11.</p>

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Management response	Officer responsible & implementation date	Current Status
14.	It was not possible to validate that credit balances on quit accounts are reviewed. Whilst reports are produced, these are not annotated to indicate the action taken. In addition, the reports are discarded each week. At the time of audit there were 520 credit cases on the quit account totalling £61k.	<ul style="list-style-type: none"> ● Medium 	Quit accounts should be reviewed on a regular basis and a record of the outcome retained detailing actions taken.	Agreed A new procedure is to be introduced whereby accounts are reviewed on a monthly basis. Report will be retained to evidence this check.	Tim Ansell 30 April 208	Outstanding Quit accounts are not currently reviewed on a regular basis. Recommendation re-raised in main body of the report - see recommendation 6.
15.	It was noted that the Authority's performance in relation to rent collection (BVPI 66a) and rent arrears (BVPI 66b) are below target. As at Jan 08 (BVPI 66a target 97.08% actual 96.01%) – (BVPI 66b target 8.25% actual 12.39%)	<ul style="list-style-type: none"> ● Medium 	The Authority should continue to target those tenants who are slow to pay or with significantly aged arrears to help improve their performance on these BVPIs.	Agreed The department acknowledge that performance on indicators is below target. The reasons for this have been noted in exception #11. Now that staff are more comfortable with IBS and working practices, it is envisaged that performance will move into the upper quartile.	Phillip Ralph Of immediate effect	Partially Implemented A recommendation has been re-raised in the main body of the report regarding BVPI performance and management information 9. - see recommendation 9.

Ref.	Control weakness found	Risk & assurance rating	Recommendation	Management response	Officer responsible & implementation date	Current Status
16.	<p>Due to staff illness, suspense accounts for DWP contributions (£3 per week) were not cleared for the month of January 2008.</p> <p>All contributions are manually posted to individual accounts and only one individual performs this task.</p>	<p>● Low</p>	<p>The functionality of IBS should be reviewed to establish whether automated posting is possible.</p> <p>In addition procedure notes should be drawn up to allow other individuals to carry out the process in the absence of key personnel.</p>	<p>Agreed</p> <p>The introduction of a dedicated rentals team as part of the new structure will ensure that personnel are trained in all activities.</p> <p>Automated posting is to be investigated.</p>	<p>Phillip Ralph 30 June 2008</p>	<p>Implemented</p>

Appendix 1 - Terms of Reference

Internal audit 2008/09

Housing Rents Review

November 2008

Objectives and deliverables

Objectives

Our objective is to undertake a review of Housing Rents to ensure an adequate level of controls exist over the setting, collection and accounting of Housing Rents.

Deliverables

Our deliverable will be a report detailing our findings with regard to our assessment of the level of control in place over Housing Rents and the level of assurance we can place on the control environment.

Our scope and approach

Our work will focus on identifying the guidance, procedures and controls in place to mitigate key risks through:

- Documenting the underlying guidance, policy and processes in place and identifying key controls.
- Considering whether the policies and procedures in place are fit for purpose
- Testing key controls.

The key points that we will focus on are:

- All payments are receipted completely, accurately and in a timely fashion;
- Reconciliations of the housing systems to the cash received and general ledger systems are performed on a regular basis and are appropriately reviewed by senior management;
- The annual calculation of rent debit is performed promptly and is reconciled to property records to ensure accuracy;
- Any changes to housing stock are recorded and supported by a clear audit trail;
- Debt collection, recovery and write-off procedures are sufficient to ensure that delay in receiving rent payments and loss of income is minimised. Arrears are monitored on a regular basis;
- Rent rebates are calculated correctly and supported by appropriate evidence;
- Rent increases are implemented promptly and accurately for all tenants, and have been appropriately approved;
- Management information is adequate to support prediction of rent trends and key performance indicators are set and monitored;
- The IT system is appropriately secure with only authorised personnel able to alter Housing Rents parameter files; and
- Adequate arrangements are in place for dealing with potential fraud.

We will discuss our findings with the Head of Finance (and any other nominated representatives) to develop recommendations and action plans. A draft report will be issued to the Assistant Head of Finance and any other relevant officers for review and to document management responses.

Limitations of Scope

None identified.

Stakeholders and responsibilities

Role	Contacts	Responsibilities
Head of Finance	Gavin Chambers	<ul style="list-style-type: none"> Review and approve terms of reference
Interim Housing Services Manager	Tim Ansell	<ul style="list-style-type: none"> Review and meet to discuss issues arising and develop management responses and action plan
Rent Income Team Leader	Phillip Ralph	<ul style="list-style-type: none"> Review draft report.
Northgate Kendrick Ash	Matthew Arnold	<ul style="list-style-type: none"> Review final report.

Our timetable and team

Engagement Leader	Mark Jones
Engagement Manager	Chris Dickens
Team Leader	Mundip Sohal
Auditor	Matthew Plummer

Steps	Date
TOR approval	24 October 2008
Fieldwork commencement	10 November 2008
Feedback of issues arising	To be agreed
Draft report of findings issued	To be agreed
Receipt of Management response	To be agreed
Final report of findings issued	To be agreed

Budget

Our budget for this assignment is 10 days. If the number of days required to perform this review increases above the number of days budgeted, we will bring this to management attention as our quoted fee may require re-assessment.

Appendix 2 - Assurance ratings

Level of assurance	Description
High	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
Moderate	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
Limited	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
No	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>

In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PricewaterhouseCoopers (PwC) promptly and consult with PwC prior to disclosing such report. Northampton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Northampton Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Northampton Borough Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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