



AUDIT COMMITTEE REPORT

Report Title	Internal Audit Report Housing Rents Review 2009/10
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	28 June 2010
Policy Document:	No
Directorate:	Housing
Accountable Cabinet Member:	Councillor Beardsworth

1. Purpose

1.1 To consider the response to the internal audit report: Housing Rents review 2009/10.

2. Recommendations

2.1 The Committee is recommended to consider the responses to the issues raised by the report.

3. Issues and Choices

3.1 Report Background

3.1.1 The internal audit report 2009/10 into Housing Rents found a total of 5 medium risk weaknesses and 7 low risk weaknesses.

3.2 Issues

3.2.1 The report identified three weaknesses as a result of the design of the controls used to operate the rents system. All of these have been addressed and the report comments that none were likely to have had any significant effect on service delivery.

3.2.2 The report further identified nine weaknesses relating to the incorrect application of procedures. All of these have now been addressed and the

report comments that none of the identified weaknesses were likely to have any significant impact on service delivery.

3.2.3 The report concludes that whilst there are some weaknesses in design and operation of controls in the Housing Rents system, which could impair the objectives of the system, it is felt that their impact would be less than significant or unlikely to occur.

3.2.4 Details of the issues raised in the report and actions taken are shown in the appendix.

4 Background Papers

Internal Audit Report – Housing Rents Review

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1. Findings and recommendations

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Control Design						
1	Errors may not be noticed on a timely basis.	Reconciliations between IBS and Agresso are not printed off and signed. This means that there is no evidence of review	● Low	The 'totals' section of the reports should be printed off and signed to demonstrate that the reconciliations have been reviewed. Alternatively the Systems team should look to implement an electronic review system to ensure all reconciliations performed are subsequently reviewed by a secondary member of staff.	Additional staff have been trained to carry out the task. The task has been reviewed to remove the manual effort to produce the spreadsheet. Totals are signed off by a different secondary member of staff	Janette Hirst 1st April 2010

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2.	Adjustments may be processed without proper authorisation.	<p>Following prior year recommendations, a control is now in place for checking authorisation of account adjustments post processing.</p> <p>However, this involves the person who has posted the adjustment creating their own listing of adjustments on an excel spreadsheet, which is signed off by the Rent Accounting Officer Team Leader.</p> <p>This is not deemed to be an effective control as the reviewer can gain no assurance over the completeness of the listing prior to authorisation.</p>	<p>● Medium</p>	Reports of all adjustments made should be taken directly from the IBS system, to ensure completeness of the listing.	<p>Following transfers, an extract report from IBS is compared to the transfers by a secondary member of staff.</p> <p>This is then signed off by the team leader</p>	<p>Janette Hirst 1st April 2010</p>
3.	User accounts may be set up and used inappropriately.	<p>Re-raised from prior year</p> <p>The IBS system does not record the date when new users were added to the system.</p> <p>Subsequently there is no way to identify when individuals were granted access to the system meaning there is a lack of an audit trail.</p>	<p>● Low</p>	<p>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.</p> <p>In the meantime consideration should be given to undertaking a periodic review of user accounts to ensure that these are reflective of the individual roles and responsibilities.</p>	<p>Agreed that this is correct; there is nowhere within the IBS system that a date can be entered when adding a new user. This was referred to IBS, but the feature would have had to be added to the system as an enhancement. No further action has been taken to rectify this problem.</p>	<p>Janette Hirst</p>

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Operating effectiveness						
4.	Increased risk of unpaid arrears if insufficient checks are performed prior to right to buy completions.	<p>It is Authority procedure to check that prior to a right to buy sale being made the tenant has no outstanding arrears for council tax, housing benefit or sundry debts. A checklist is used to confirm that this process has been followed.</p> <p>In 1 out of 3 cases tested, no evidence could be provided to show that any arrears checks had been completed</p> <p>In 1 out of 3 cases evidence could not be provided to show that a check had been completed to ascertain whether the tenant had housing benefit arrears.</p>	<p>● Low</p>	Prior to the completion of right to buy sales, the Authority should confirm, and evidence, whether the individual has council tax, sundry debt, rent or any other type of arrears. If this is the case, the arrears should be collected prior to completion of the right to buy sale.	Tim Ansell to ensure procedure in place Agreed	Tim Ansell Immediate effect
5.	Differences are not noticed and rectified on a timely basis.	<p>Daily reconciliations between ICON (cash collection system) and IBS and Northgate (housing benefits system) and IBS are not signed as reviewed.</p> <p>In addition, 11 out of 20 ICON to IBS reconciliations and 5 out of 20 Northgate to IBS reconciliations had not been prepared on a timely basis, within the guidelines as specified in the reconciliation file.</p>	<p>● Low</p>	The Council should ensure that all reconciliations are reviewed. All daily reconciliations should be performed in accordance with the scheduled timetable.	Additional staff member trained to carry out daily and weekly balancing. The task is carried out in a timely manner.	Janette Hirst 1 st March 2010

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6.	Income collected from housing rents is not maximised.	<p>It is noted that for all 3 of the key performance indicators reported corporately, performance against targets is below target.</p> <p>Specifically:</p> <p>For '% Rent collected as a proportion of rents owed', the authority target is 97.50%, and the year to date (YTD) performance is 95.88% as at October 2009. This is slightly below the 2008/09 outturn figure of 96.26%.</p> <p>For 'current rent arrears', the authority target is £1.1m, and the YTD performance is £1.563m as at October 2009. This is also above the 2008/09 outturn figure of £1,358,086.</p> <p>For 'Number of tenants evicted as a result of rent arrears activity', the authority target, profiled to the end of October is not to evict more than 21 tenants, and the Authority has currently carried out 23 evictions.</p>	<p>● Low</p>	<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 KPIs.</p> <p>The Authority should also continue to monitor the number of tenants evicted to ensure that the target is not exceeded.</p>	<p>Rent arrears action in place to deliver actions by end of 2010 to secure improvements</p> <p>We have changed the way we collate statistics on evictions. Many tenants abandon before the eviction so from April 2009 we collect evictions and abandonments due to eviction separately.</p>	<p>Tim Ansell 31st March 2011</p>

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7.	Benchmarking data produced is inaccurate, and is not being adequately communicated to staff, raising questions regarding the cost/ benefit of this benchmarking.	<p>The Authority provides data to 'HouseMark' in order to benchmark its performance against other Local Authorities.</p> <p>The data provided to 'HouseMark' for performance against Authority KPIs has been calculated incorrectly. The figure presented for proportion of rent collected has factored in the arrears outstanding at the prior year end (as per the Authority's own method for calculating performance against this KPI), however HouseMark figures should exclude this figure.</p> <p>This error has meant that Authority performance is understated.</p> <p>Furthermore, the process for feeding back information to teams regarding the benchmarking data obtained is unclear and is not formally followed.</p>	<p>●</p> <p>Medium</p>	<p>Figures for 'proportion of rent collected' should be calculated by excluding arrears outstanding at the prior year end.</p> <p>Furthermore, it is recommended that a more robust, formal procedure is put in place for summarising the results of benchmarking to management, in order for management to be able to assess Authority performance against its' peers.</p>	<p>Information will be collated using the Housemark definitions</p> <p>Housemark Pis are proportion of rent collected excluding rent loss and rent arrears of current social housing tenants as a percentage of the rent debit.</p>	<p>Tim Ansell</p> <p>Immediate effect</p>
8.	Income may not be identified and allocated correctly	<p>It was noted through reviewing suspense accounts that although the accounts are regularly reviewed and efforts made to clear significant items there are a number of smaller items not cleared.</p> <p>Holding Account 6 had a balance of £998.08 at the time of audit (November 2009) with a number of items posted in July and August.</p>	<p>●</p> <p>Low</p>	<p>The Council should continue to review suspense accounts on a weekly basis.</p> <p>Any items in suspense should be investigated and the balance cleared to nil.</p>	<p>Suspense accounts are reviewed on a weekly basis.</p> <p>The suspense account balances have been significantly reduced, and to zero where applicable.</p>	<p>Janette Hirst</p> <p>1st April 2010</p>

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9.	Lack of detail regarding why adjustments are being made could mean that inappropriate adjustments are being made.	<p>During testing of manual and account adjustments that had been made within the IBS system during the year, 2 out of 35 cases (tenancy references 760601 and 764476) were identified where there was insufficient detail on the system to ascertain why the adjustment had been made.</p> <p>One of these was a debit adjustment and the other a credit adjustment against the tenancy.</p>	<p>● Medium</p>	All tenancy officers should be informed that adjustments made on the system should have clear audit trails on the accounts, to demonstrate why the adjustment has been made.	Tim Ansell to ensure appropriate procedure in place	Tim Ansell Immediate effect
10.	Debt may become irrecoverable and unnecessarily written off.	<p>During testing of arrears cases, 4 out of 30 cases were identified where a repayment agreement had been put in place with the tenant, but no further action had been taken by the Authority once the tenant failed to comply with the terms of this agreement, and thus their arrears had worsened.</p> <p>Furthermore, 2 out of 30 cases were noted where action to chase arrears had not been undertaken on a timely basis.</p>	<p>● Medium</p>	The Authority should ensure that the agreed arrears recovery procedures are being implemented consistently and in full.	<p>Agreed that in the cases noted above, the Authority had not adequately chased arrears.</p> <p>Rent arrears clinics set up to monitor progress, new process for one to one monitoring with officers</p>	Tim Ansell 31st July 2010

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11.	Tenancy agreements are not completed correctly, meaning contracts made between Authority and tenants are incomplete or inaccurate.	<p>During testing of 25 new lettings within 2009/10:</p> <p>In 2 out of 25 cases the tenancy agreement could not be located.</p> <p>In 1 out of 25 cases tested there was no tenancy commencement date on the tenancy agreement.</p> <p>In 1 out of 25 cases the tenancy commencement date on the tenancy agreement did not agree to the IBS system</p>	<p>●</p> <p>Medium</p>	<p>The Authority should ensure that all tenancy agreements are kept securely on file.</p> <p>All tenancy agreements should state a 'tenancy commencement date', and this should agree to the start date as per the IBS system.</p>	<p>Agreed</p> <p>Instructions given to staff</p>	<p>Christine Ansell</p> <p>Immediate effect</p>
12.	The Authority's documented processes regarding write-offs are not being followed.	In 1 out of 3 cases tested, a write-off had been processed without a write-off schedule being completed. Evidence was available that the write-off had been authorised via e-mail by an appropriate officer, however no formal documentation was in place as per the Authority's write-offs policy.	<p>●</p> <p>Low</p>	For all write-offs, a schedule should be completed and authorised prior to processing, as per Authority policies and procedures.	Agreed that a schedule should be completed for all write-offs	<p>Tim Ansell</p> <p>31st July 2010</p>