
	<p>The Stevenage &amp; Uttlesford Audit Partnership</p> <p><b>Final</b></p> <p><b>Internal Audit Report</b></p> <p><b>Housing Rents – 2006/07</b></p>	
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**To:** Debbie Rabot – Director of Housing Management  
Chris Pierce – Director of Resources

**For Information:** Ben Tranter, Tenancy Services Manager  
Carl Roberts, Head of Revenues  
Charles O’Brien, Central Housing services Manager  
Margaret Worrell, Administration Officer  
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**1. Introduction**

An audit of Housing Rents has been carried out as part of the 2006/07 Audit Plan. Detailed testing has been carried out on the systems of control and the management of risk within this area.

**2. Findings and Recommendations**

The detailed findings and recommendations are set out in the report attached as Appendix A. The Management Action Plan as completed by the officers responsible is attached as Appendix B.

**3. Conclusions**

During the course of this audit, we identified that many key systems of control are in place and complied with. However, we have identified two areas of high risk relating to Best Value Performance Indicator 66 C and Reconciliation of Pericles Rent Benefit payments and the Housing Rents system.

R Atoyebi  
Acting Audit Manager  
4 May 2007

## Housing Rents – 2006/07

### 1. AREAS COVERED DURING THE AUDIT

1.1 The key areas of **possible** risk identified at the planning stage of the audit were as follows:

- a) Rent accounts are not raised or are raised incorrectly.
- b) Rent is calculated incorrectly.
- c) The annual rents uplift is not calculated/applied correctly;
- d) Incorrect rent accounts are raised.
- e) Properties are not reconciled.
- f) Procedures and training for staff are inadequate.
- g) There is no staff vetting procedures in place.
- h) There are no procedures in place to protect the Authority from conflicts of interest.
- i) There has been an adverse BVPI inspection.
- j) The BVPI data shows inadequate performance.
- k) There are no agreed strategies in place for Housing.
- l) There are no agreed plans/strategies for “Decent Homes”.
- m) Rent income expected is not received.
- n) The cost of Housing is not recovered.
- o) Rent is not collected due to inadequate payment methods and/or debt recovery procedures.
- p) Improper write off of rent arrears.
- q) Rent is paid to incorrect accounts.
- r) Failure to achieve reconciliation between the Housing Rents, Housing Benefit and General Ledger systems.
- s) Refunds are not properly accounted.
- t) Failure to comply with applicable legislation.
- u) Non-compliance with the requirements of the Data Protection Act 1998.
- v) Failure of IT system/inadequate IT system.

1.1 The methodology stated in the terms of reference document was used to establish and test the controls that management have in place for mitigating or reducing the above risks to an acceptable level.

## 2. OVERALL AUDIT OPINION

**We have identified that various systems of control are in place and are complied with. However, we have identified two areas of key weakness relating to Best Value Performance Indicator 66 C and Reconciliation of Pericles Rent Benefit payments and the Housing Rents system.**

## 3. BACKGROUND

- 3.1 The Stevenage Borough Councils' Housing Rents Section was transferred to an Arms Length Management Organisation (ALMO) in October 2006. Creating an ALMO, under Government Guidance, is a means of applying for additional Central Government Grants to achieve "Decent Homes Standard" (DHS) by 2010.
- 3.2 During the course of this audit, Stevenage Homes Ltd. (SHL) were being inspected by the Audit Commission Housing Inspectorate. In order to qualify for extra funding the ALMO is expected to achieve a two (good) or three (excellent) star rating.

## 4. PREVIOUS RECOMMENDATIONS 2005/06

- 4.1 The previous audit made 2 recommendations. We have reviewed these recommendations and found that one recommendation has not been implemented. This recommendation has been restated in this report and identified as having been previously made.

## 5. CURRENT RECOMMENDATIONS

### Opening new rent accounts

- 5.1 The process for opening new rents accounts changed during January 2007. The opening of new accounts can now be set up in advance of the tenancy start date. Accounts may be opened for any future start date.

**We recommend that** procedures and processes be documented to establish new account opening parameters, monitoring and validation of new rent accounts. This will reduce the risk of duplication or incorrect/not valid accounts being in the system.

### Verification of new accounts

- 5.2 New rent accounts are recorded to a manual control log by the Assistant Tenancy Officer. There is no evidence to validate further review of the account having been set up correctly.

**We recommend that** when the Tenancy Officer checks and creates a new rent account pay reference, that they sign and date the Audit Control Log. The Tenancy Services Administration Officer should review the Audit Control Log monthly to ensure all accounts have been set up in the system and sign and date the log as being reviewed.

## Documented Procedures

- 5.3 Documented procedures have not been produced for the operational and financial accounting processes in Housing Rents. To date there is a “draft” arrears procedure pending board approval.

**We recommend that** all processes are documented and procedures developed and issued to staff that have responsibility for Housing Rents. Procedures will help to mitigate the risk of loss from error, omission or mismanagement.

## Risk Mapping

- 5.4 No process / risk mapping has been completed.

**We recommend that** management complete a financial and operational process map to identify and minimise areas of risk.

## Staff Vetting Checks

- 5.5 Employment applications request authorisation to obtain CRB checks. Through discussion it was confirmed that staff that come into contact with customers, especially those who are vulnerable or minors, are not subject to Criminal Records Bureau checks.

**We recommend that** staff who make home visits and may come in contact with vulnerable people and/or minors, be required to have Criminal Records Bureau checks completed for the protection of both employee and the Council.

## Register of Staff Interest

- 5.6 As reported in the 2005/06 audit a register of staff interest has not been implemented.

**We recommend that** a register of staff interest be created. This register should have a procedure agreed of what is considered a conflict of interest.

## Performance Indicators and Monitoring

- 5.7 Review of the Best Value Performance Indicators (BVPI) 66 a, b, c & d found that BVPI 66 C (Arrears) is 21.6% above the annual target of 18% at the end of the third quarter.

- Tenant arrear can be affected by Housing Benefit payments. Research from the OPDM web site states that “Housing Benefit, both the system and administration, is frequently a key factor resulting in tenants accumulating serious arrears”.

Also see Item 5.10

- There is no evidence of benchmarking comparisons being made.

### **We recommend that**

- A monthly stop light monitoring report should be introduced. This would allow management to monitor the arrears BVPI information monthly, in advance of quarterly BVPI results and to take corrective action as required.
- That management establish regular arrears benchmarking against similar size authorities.

## 5.8 Benefit Overpayments

The rent payments suspense account is holding £5k in unidentified benefit payments.

**We recommend that** unidentified Benefit payments are traced through the originating batch payment number in order to identify the tenant that the payment belongs to or to refund benefits.

### Direct Debits

5.9 Housing tenants are offer several methods for paying their rents; swipe card, by phone, DD, SO, home banking and internet.

The Direct Debit guarantee offered by the Council for Rents, “we will notify 7 days in advance” for changes to your debit, is not valid and contravenes the Direct Debit Scheme. It may place direct debit collections, for accounts with changes, at risk of recall by the tenant.

**We recommend that** rules governing the Direct Debit Scheme be complied with for the collection of Housing Rents. The requirement is that changes are notified “at least 10 working days in advance” i.e. 14 calendar days.

### Service Protocol and Arrears

5.10 We identified during testing of rent arrears that 10% are in arrears due to Housing Benefit not being processed. The average time from arrears to payment was three months.

Failure by the Benefit Section to adhere to the Protocol Agreement has had a negative impact on the Housing Rent BVPI 66 C.

**We recommend that** there is a need to monitor targets established by the Protocol Agreement (SLA). Monitoring should be monthly by the Tenancy Service Manager and Benefits, Head of Service.

### Write Offs'

5.11 Write off schedules are submitted for approval and approved without documentary evidence.

There is no measurement of writes as compared to prior months and years.

### **We recommend that**

- As a minimum requirement, system screen prints of the notes for former tenant accounts are attached to the write off schedule as evidence of action taken to recover.
- Monthly monitoring of write offs is established to measure current write off levels against previous periods and prior years.

### Reconciliation

5.12 We identified that there are procedures for the reconciliation for Benefits paid to Housing Rents.

- This audit found that the reconciliation process was not understood by staff.
- The weekly reconciliation of benefits paid to Housing Rents has not been completed during the 2006/07 financial year.

### **We recommend that;**

- Immediate training is given to benefit staff in how to reconcile the Benefit rent payments.

- The weekly reconciliation of Benefit Rent payments must be reviewed by the Benefit Manager and evidence of this review is by signature and date.
- Variances should be investigated and the results recorded. Monthly the reconciliation should be reviewed by the Head of Service and signed as reviewed.
- Management should provide details of how this reconciliation will be completed for the 2006/07 financial year.

### **Refunds**

- 5.13** We identified that refund proformas are authorised without documentation, in support of the refund, being attached.

**We recommend that** supporting documentation in support of the refund is attached to the proforma. At minimum a copy of the e-mail received from Benefits confirming that there are no benefits overpayments.

### **Emergency Planning**

- 5.14** We have identified through discussion that there are no procedures or plans in place for the continuation of Housing operations in the event of I.T. loss or disaster.

**We recommend that** operational contingency plans are drafted to support the continued operation by Tenancy Officers in the event of IT loss or disaster.

K. Hartnett  
4 May 2007