

AUDIT REPORT 10'008

HOUSING RENTS

EXECUTIVE SUMMARY

An audit was undertaken of the financial controls in place to secure the proper collection and accounting for rents receivable from council house tenants. This review was carried out as part of the planned audit coverage of core financial systems operating within the Council.

The audit involved an examination of the systems and procedures in place for calculating and collecting rents and to ensure charges made to tenants are accurate, supported and timely. The management and collection of arrears were also reviewed to confirm debts due to the Council had been appropriately administered. Additionally, the audit looked briefly at sales of council housing and at the inter-relationships between departments involved with aspects of council house management.

Housing Rents is a major source of income for the Council, budgeted to generate over £12 million in the current financial year, from approximately 5,850 council houses. In 2006, the service undertook a rent restructuring exercise for the entire council housing stock, with rents now calculated on a points basis covering such factors as property size, quality of facilities and locality.

The audit has generally found controls and procedures in place for the elements of rent accounting reviewed to be robust, with the following recommendations raised for management attention: -

- Reconciliations are carried out on a quarterly basis between the Financial Management System and the Housing Rents System; however, discrepancies have existed such that a full reconciliation has not been possible at the end of each of the past three financial years. Although these amounts are not significant in the context of sums collected, full assurance cannot be given between figures disclosed in the final accounts and those processed through the Housing Rents System. The Accountancy Team are aware of the discrepancies noted and have agreed to allocate resources during 2009/10 to address this control weakness.
- When annual rental increases are calculated, a reconciliation document is prepared, but this is neither checked nor authorised by a senior officer to evidence that the total housing rents collectable per the rents system is consistent with the annual rental income budget approved by Communities Committee. Similarly it was noted that rent refunds are not subject to management review and authorisation. There is currently a senior manager vacancy in the service, and this has impacted on the

application of the supervisory and segregation of duties controls that would be expected. It is unlikely the senior management vacancy will be filled in the short term pending a wider management review of management support required in the service. Consequently, it has been recommended that alternative checking arrangements are introduced to ensure the necessary control measures are re-introduced.

- When changes are made to rent elements, in the majority of cases due to kitchen upgrades, the 'points' value of the property can be affected and the rent may increase as a consequence. 60 days must lapse from the date of change until the rent is increased and the Council must give at least 28 days' written notice before any increase can take effect. Examples were found where the 60 day period had been exceeded by up to 21 days, resulting in a loss of income to the Council. Management have agreed to review how the procedures are applied to ensure increases in such circumstances are applied in a timely and consistent manner.

AUDIT REPORT 10'009

HOUSING AND COUNCIL TAX BENEFITS

EXECUTIVE SUMMARY

The administration of the Housing Benefit and Council Tax Benefit systems is a major activity for the Council's Finance and I.C.T. Service, with in excess of £17 million paid out annually. Benefits Administration is also of key importance to Central Government, which places a duty on Councils to provide a high quality service to genuine claimants, whilst preventing and detecting fraudulent claims against the public purse.

Benefits paid by the Authority have a subsidy implication in that eligible expenditure is reclaimed from the Department for Work and Pensions (DWP). The External Auditor is required to certify the Subsidy Claim, and therefore tests individual benefit claims on an annual basis to confirm its accuracy. For the 2008/09 it was agreed as part of a joined-up audit approach that Internal Audit would undertake the majority of this testing.

A total of sixty Benefit claims were selected, split evenly between Rent Rebates, Rent Allowances, and Council Tax Benefits. All claims were scrutinised to ensure the correct amount of benefit had been calculated, that evidence was available to substantiate all information recorded, and that benefits awarded had been correctly recorded in the ledger.

Outcomes of all testing undertaken were recorded in a computer database recently developed by the Audit Commission for England and Wales and now adopted by Audit Scotland for Scottish councils. This system required information for all selected claims to be logged to provide details of the evidence used to calculate individual benefit entitlements applicable at the start of the financial year and on the occasion of any change of circumstances occurring during the year.

Testing only found one error where incorrect benefit had been awarded. This covered a period of one month and resulted in an underpayment of approximately £35. The claim has been amended and the Benefits Manager has adjusted the Subsidy Claim accordingly. The remainder of the claims checked were found to be correct with evidence present to substantiate all expenditure.

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Para. Ref	Recommendation	Responsible Officer	Agreed	Comments	Agreed Completion Date
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3.2

Acquisitions & Disposals

3.2.1 In addition to the year-end reconciliation a second reconciliation should be performed in October. This would potentially highlight discrepancies at an early stage and save time at the year-end when resources are required for other tasks.

Jill Stewart Yes

To commence Oct 09

3.3

Authorisation – Write-offs

3.3.1 Financial regulations should be paramount and adhered to when considering debt management. A line of authorisation should be introduced to secure segregation of duties and provide a support system for processing staff.

CFO / Jill Stewart Yes

Financial regulations state that no established debt can be written off without certification from the Chief Financial Officer. Authorisation procedures will take this into consideration.

3.3.2

Information relating to write-offs should be provided in a useful format i.e. transaction sub-type and amount, so that the category can be monitored closely and management will be assisted.

Mike McClafferty Yes

31 March 2010

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Para. Ref	Recommendation	Responsible Officer	Agreed	Comments	Agreed Completion Date
3.3.3	A defined budget and authorisation procedure should be developed for increased efficiency for processing write-offs.	Mike McClafferty	Yes		End 2009 Oct
3.4					
3.4.1	Reconciliations It is essential that time is invested into resolving this situation during 2009/10 so that full assurance can be given to figures disclosed in the financial statements.	Deborah Bosworth	Yes	Assistance and support from housing staff will be requested where appropriate.	31 March 2010
3.5					
3.5.1	Rechargeable Repairs Exploration of the system is required to see if there is the opportunity to record additional costs for repairs against individual tenant accounts.	Iain Terry	Yes		31 March 2010
3.6					
3.6.1	Calculation and Collection Arrangements should be in place prior to the commencement of the 2010/11 year to ensure that the calculation can be checked and signed off as	Jill Stewart	Yes		February 2010

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being consistent with the budget approved by Committee.

3.6.2

The policy to provide 60 days and 28 days written notification when increases arise as a result of a change to a rent element should be adhered to at all times of the year in order to promote consistency in the treatment of tenants and to prevent loss of income to the Council.

Tracey Scott Yes

Immediate

3.6.3

Currently, there is no examination of rent accounts. A robust system and set of procedures should be introduced that ensures that housing staff can extract designated sample sizes, which are randomly selected for regular checking.

Tracey Scott Yes

31 March 2010

3.7

Budget Manager Responsibilities - Authorisation
 Immediate action should be taken to identify a budget manager and reinstate adequate reporting lines and authorisation procedures.

Jill Stewart Yes

Immediate

3.7.2

Management arrangements for the team should be reviewed and steps taken to ensure that supervisory controls provide assurance that no rent refunds are

Immediate

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made without being properly authorised.

Jill Stewart Yes

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