



Right to Buy 2016-17

City of York Council

Internal Audit Report

Business Unit: Housing and Community Safety
Responsible Officer: Assistant Director - Housing and Community Safety
Service Manager: Head of Housing Service
Date Issued: 15th February 2017
Status: Final
Reference: 11690/002

	P1	P2	P3
Actions	0	1	3
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

The council is obliged to sell properties to tenants who qualify under the Right to Buy scheme with the rules and discounts being calculated as per guidelines set down by the Department for Communities and Local Government. In order to be eligible to purchase their property the applicant must have been a tenant of social landlords for at least three years with the maximum discount payable being the lower of either 70% of the property value or £77,000. 70 properties were sold in 2015/16 through Right to Buy with a discounted sales value of £4.6m.

Objectives and Scope of the Audit

The purpose of this audit is to provide assurance to management that procedures and controls within the system will ensure that:

- Applications are processed promptly and in accordance with Right to Buy guidelines.
- Discounts are reclaimed if a property is resold
- Right to Buy transactions are correctly reflected in all council records
- Records are securely kept which support the sale
- Adequate fraud prevention measures are in place

Key Findings

The well established procedures for processing RTB applications were still found to be working well. However, the SX3 housing system has still not been upgraded meaning that there is reliance on human intervention rather than prompts from the housing system which increases the likelihood of errors occurring. A sample of cases was taken which showed that discount calculations were made correctly to properties that were eligible for RTB. However, it was noted that key documents relating to the RTB sale were missing, meaning it was not possible to confirm whether the RTB was processed correctly. Although existing procedures for identifying potential abuses of the RTB system are good they still could be developed further to reduce the possibility of RTB fraud or large non emergency repair work being done on properties being subject to RTB.

Overall Conclusions

The arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Missing documents

Issue/Control Weakness

Key documents relating to RTB sales are missing.

Risk

The Council cannot confirm that the property was sold at the correct price without a property valuation being kept on file.

Findings

A sample of RTBs was taken which confirmed that key documents were not always present. Five out of twenty property valuations were missing, whilst one each of the other main documents that are completed during the RTB process were also missing.

Until a new updated version of the SX3 housing system is introduced, the system for processing RTB applications will continue to be largely done manually with reliance being placed on the Housing Assistants processing the RTBs to ensure that calculations are done correctly with documents being produced and retained as necessary.

Agreed Action 1.1

Staff will scan the S125 offer notices directly onto DMS to ensure none are missing. A sample of 10 properties will be reviewed each quarter in order to ensure that all RTB documents are present as expected.

Priority

2

Responsible Officer

Housing Assistant
Team Leader

Timescale

31st March 2017

2 Updating RTB guidance documents

Issue/Control Weakness

The information on discounts available in the guidance document is out of date.

Risk

The RTB applicant is not given the correct discount on their RTB sale.

Findings

The guidance document for RTBs on the council's website is now out of date since the rules on RTB were changed in 2014. The maximum discount rate for houses and the qualifying period before being eligible for RTB were both given as per the previous rules and had not been updated since the rules had changed. The maximum period discount rate for houses was given as 60% even though it has now increased to 70% whilst the qualifying period before an applicant can apply for RTB was given as five years rather than three.

Agreed Action 2.1

The information and documents on the website will be reviewed and updated where necessary to confirm they are in line with the latest Government regulations.

Priority

3

Responsible Officer

Housing Assistant
Team Leader

Timescale

31st March 2017

3 Major repair work is being done on properties that are subject to RTB.

Issue/Control Weakness

Major repair work is being done on properties that are subject to RTB.

Risk

Repair costs are incurred by the Council to improve properties which are then sold at discounted rates as part of the RTB scheme.

Findings

A sample of 20 properties was taken that were being purchased as part of the RTB scheme. There were three cases in the sample where major works of around £1,500 were done in each property whilst the RTB was progressing. There was also no formal process to inform the Housing Repairs team that properties were the subject of RTB applications so that only emergency repair work would be carried out on them.

Agreed Action 3.1

RTB procedures will be developed to give staff guidance in terms of repair work that should be done on properties that have submitted a RTB application. A process will also be developed in order to alert building services when RTB application is submitted so only essential works continue after this point. A sample check of 10 properties will be done every quarter to assess what repairs have happened since the RTB application.

Priority

3

Responsible Officer

Housing Assistant
Team Leader

Timescale

31st May 2017

4 Identifying potential RTB frauds

Issue/Control Weakness

There are no photographs to confirm the identify of tenants whilst the procedures for dealing with outstanding or potential fraudulent Additional Information Request Forms are not in place.

Risk

Properties are sold fraudulently under the RTB scheme.

Findings

No photographs are taken of tenants when the tenancy commences so no confirmation can be made on the person's identity when they are applying for RTB. This means it is not possible to confirm visually whether the person applying for RTB is the actual tenant.

An Additional Information Request Form was introduced in late 2015 which requests the details of tenancy and sources of finance in order to identify potential RTB fraud. Whilst the form requests relevant information it doesn't have to be completed in order to purchase a property through RTB which reduces its effectiveness. There are also no procedures to chase up outstanding returns nor have criteria been established to where cases would be referred to Veritau for further investigation.

Agreed Action 4.1

A reminder letter will be sent to non responders whilst a clear warning will be given on the referral form that a no response may result in a referral to the fraud team. Photographs will also be taken of tenants when they met with staff in the Housing Services team with these photographs being kept on file.

Priority

3

Responsible Officer

Housing Assistant
Team Leader

Timescale

30th September 2017

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.