Veritau

Assurance Services for
the Public Sector

Housing Rents

City of York Council

Internal Audit Report 2016/17

Business Unit: Health, Housing and Adult Social Care
Responsible Officer: Assistant Director – Housing and Community Safety
Service Manager: Housing Landlord Manager
Date Issued: 21 June 2017
Status: Final
Reference: 11710/008

	P1	P2	P3
Actions	0	0	1
Overall Audit Opinion	High Assurance		

CITY OF **YORK** COUNCIL

Summary and Overall Conclusions

Introduction

The Housing Services department has responsibility for the billing, collection and recovery of rent for council housing. The service is responsible for the maintenance of accounts and collection of rent for about 7,800 council owned properties.

During 2015/16 the gross rental income from these properties was £32.6m. At the end of the 2015/16 financial year the level of current rent arrears was £668k with former tenant arrears being £339k. During 2015/16 £163k of former tenant arrears was written off because they were uncollectable. In the July 2015 Budget the government announced that rents in the social housing sector in England will be reduced by 1% a year for the next four years from 2016/17.

The Housing service is currently undergoing a restructure; the aim of this restructure is to provide more assistance to tenants requesting support. In addition to this the ICT team are leading a project to improve the Housing team computer system (SX3) to make it more streamlined and efficient.

Objectives and Scope of the Audit

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

- Rent income is correctly accounted for

- Rent arrears are subject to appropriate recovery action

- Performance is monitored and managed on an ongoing basis

Key Findings

In the audit we found that the Housing department generally had an effective control environment with only a small number of minor issues to be reported.

We found that tenants were billed correctly for their housing rent and that the council's rent income is regularly monitored.

Tenants who are in arrears are contacted frequently by the housing service and visited by a member of the housing team to establish if they can offer help to reduce their arrears. Appropriate action is taken against tenants who do not contact the council and continue to accrue arrears.

From July this year, the council have teamed up with South Yorkshire Credit Union to provide assistance in debt management for tenants in arrears.

The council frequently monitors the current performance for collecting rent and managing arrears with recovery actions being well documented. The recovery actions are in line with the council's current rent arrears escalation policy. The audit found that the council only write off arrears when all possible recovery actions have been exhausted. However there is no policy or written procedures for managing former tenant arrears. This was raised in last year's audit report and there is still no evidence that a former tenant arrears policy has been developed.

Since the last audit, the housing team have made it compulsory for new tenants to provide photographic ID and take a photograph at the commencement of the tenancy. During the year the location of where the photographs had been stored changed. It was found that, if a tenant moves property their photograph does not automatically move into the new account. This is being addressed within the project to improve the Housing I.T system.

Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

1 Former tenant arrears policy.

Issue/Control Weakness	Risk
There are no policy or procedure notes to assist staff in managing former tenant arrears.	Lack of business continuity for managing former tenant arrears.

Findings

If a tenant in arrears moves out of a council property, the possible actions the council can take to recover the arrears are limited. Former tenant arrears are monitored separately from current tenant arrears.

There are no policy or procedure notes to assist staff in managing former tenant arrears. This is a concern as currently there is only one member of staff who manages former tenant arrears. If this individual leaves, procedure notes may assist a new member of staff that takes on the role of managing former tenant arrears.

This was raised in the 2015/16 Housing Rents Audit and no action has yet to be taken to produce a policy for managing former tenant arrears.

Agreed Action 1.1

A former tenant arrears policy has been produced.		**Priority**	3
		Responsible Officer	Housing Team Leader - Central Team - Income Lead
		Timescale	Completed

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.

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