



# Housing Rents

## City of York Council

### Internal Audit Report 2015/16

Business Unit: Communities & Neighbourhood Services  
Responsible Officer: Assistant Director – Housing and Community Safety  
Service Manager: Housing Landlord Manager  
Date Issued: 14 September 2016  
Status: Final  
Reference: 11710/007

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Overall Audit Opinion</b>	Substantial Assurance		

# 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 maintenance of accounts and collection of rent for nearly 7,800 council owned properties.

During 2014/15 the gross rental income from these properties was £32.1 m, with an average rent of £75.18 per property per week. In April 2014 rents were increased by 4.95%, raising weekly rent by £3.72. At the end of the 2014/15 financial year the level of current rent arrears was £529k with former tenant arrears being £441k. During 2014/15 £120k of former tenant arrears was written off because they were uncollectable.

## 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:

- Rents are calculated accurately in accordance with council financial regulations, relevant legislation and government guidelines
- Tenants are correctly billed for rents due and sufficient preparations are made prior to upcoming changes in legislation
- Rent income is correctly accounted for
- Rent is paid in advance when new and existing tenants sign a tenancy
- Rent arrears are subject to appropriate recovery action
- Performance is monitored and managed on an ongoing basis

Access to the rents system has not been tested as part of this audit, as it was included in a separate audit, "Access to Key IT Systems".

## Key Findings

In the audit we found that the Housing department generally had an effective control environment with only a small number of issues to report on. The level of rent set was in accordance with government legislation and the level of rent was accurately uploaded to SX3. Rent income was accounted for and there are regular reconciliations between SX3, FMS and Cash payments.

Before tenants move into a property they should provide identification, however there is no record kept that a member of the housing team has seen the identification. The council encourages tenants to pay in advance but testing showed this was not always done and there was no explanation provided for this.

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 showed 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 is an issue as there is only one individual who is in charge of managing former tenant arrears.

The council takes part in benchmarking exercises that are carried out by house mark, to compare performance with other councils and housing agencies.

### **Overall Conclusions**

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

# 1 No policy or procedure notes for managing former tenants arrears.

## Issue/Control Weakness

There are no policy or procedure notes to assist staff in managing former tenant arrears.

## Risk

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.

## Agreed Action 1.1

Procedure notes will be produced for managing former tenant arrears.

### Priority

3

### Responsible Officer

Housing Team Leader  
- Central Team -  
Income Lead

### Timescale

31 October 2016

## 2 A record is not kept proving that tenants have provided ID.

### Issue/Control Weakness

There is no record kept to prove that a member of the housing team has seen tenants identification before they move in.

### Risk

Applicants successfully obtain tenancies using false details.

### Findings

It is a requirement for housing tenants to provide proof of identification when moving into a property that is owned by the council. This will enable the council to know for certain who is living in the council's properties and prevent individuals committing identity fraud.

Many tenants are in receipt of housing benefit. To claim housing benefit, tenants would need to provide identification. Therefore the council would not need to request identification from these individuals. However the housing rents team do not keep either copies of other tenant identification, or a record to confirm that a member of the housing rents team has seen the tenant's identification. This is an issue if the tenant is not in receipt of housing benefit, as it would mean that the council do not have a record to show that their identities have been confirmed.

### Agreed Action 2.1

A photograph is taken as a record of identification for customer when the tenant signs up. This will be stored on DMS for the duration of their tenancy.

#### Priority

3

#### Responsible Officer

Housing Team Leader  
- Central Team -  
Income Lead

#### Timescale

30 September 2016

### 3 Rent does not always appear to have been paid in advance.

#### Issue/Control Weakness

Not every tenant has paid rent in advance before moving in to a property. There is no record on SX3 of why the tenants have not paid in advance.

#### Risk

The tenants that have not paid in advance may not have the funds to pay for rent in the future.

#### Findings

The housing team encourages tenants to pay rent in advance before moving in to a property. Undertaking a sample test showed that some accounts have not been paid in advance. On these accounts it does not appear that there is a note on the system to state the reason why the tenant has not been paid in advance.

#### Agreed Action 3.1

Each staff member is ensuring that they are asking for a rent in advance, weekly, fortnightly or monthly dependant on how the customer wishes to make their payments. This is implemented at the viewing stage on acceptance of a property and should be noted on the voids form to advise the Housing Enforcement Manager that this is how it is to be paid. Unable to note directly to rent account because until the customer is signed to the tenancy a tenancy is not created and so no where to place the details. If a customer is then to decide to amend their payment then they will be advised of rent in advance with the payments amended as required.

#### Priority

3

#### Responsible Officer

Housing Team Leader  
- Central Team -  
Income Lead

#### Timescale

30 September 2016

## Annex 1

# 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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