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Right to Buy

City of York Council

Internal Audit Report 2014/15

Business Unit: Housing
Responsible Officer: Assistant Director - Housing & Community Safety
Service Manager: Head of Housing Services
Date Issued: 27/11/2014
Status: Final
Reference: 11690/001

	P3	P2	P1
Findings	3	0	0
Overall Audit Opinion	Substantial Assurance		

Introduction

Secure tenants who have been tenants of specified social landlords for at least five years are eligible to purchase their current rented home, subject to certain exceptions, at a discounted rate as part of the Governments Right to Buy scheme.

The maximum discount available is £75,000. 24 properties were sold in 2012-13 through Right to Buy

Objectives and Scope of the Audit

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

- Properties are only sold to those eligible to purchase under Right to Buy.
- Applications are processed promptly and in accordance with legislation.
- Discounts are reclaimed if a property is resold
- Right to Buy transactions are correctly reflected in all council records
- Adequate fraud preventions measures are in place

Key Findings

During the audit it was found that effective controls are in place to address potential risks, with applications correctly recorded, checked for validity and processed. Some potential areas for improvement were identified and these are set out in the body of the report.

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**

Area Reviewed: Discount calculation

Severity
Probability

1	Issue/ Control Weakness	Risk
An incorrect discount has been applied, resulting in loss to the council		Discounts applied may not be in compliance with legislation

Findings

During testing it was identified that a property had been sold with a discount of XXXX applied instead of XXXX on a property valued at XXXXXXXXXX. This means that the discount was XXXXX higher than it should have been, causing a loss to the council.

There is a checking and authorisation procedure, and the offer for this property has been signed as having been checked and authorised. Therefore, the current checking procedure may not be sufficiently robust to prevent future errors and potential loss to the council.

1.1   Agreed Action

In the future the service will be using an SX3 module to process RTB applications. Once this has been implemented additional measures will be put in place so that the authorising officers have the necessary information available to them while authorising.

Priority	3
Responsible Officer	Housing Assistant Team Leader
Timescale	October 2015

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Area Reviewed: Counter fraud checks

Severity
Probability

2	Issue/ Control Weakness	Risk
	There are additional fraud prevention measures that could be taken	The council may be at a greater risk of fraudulent Right to Buy applications being successful

Findings

The Chartered Institute of Housing has produced a guide to preventing Right to Buy fraud. The council's procedures were compared to suggested checks for fraud prevention purposes within the guidance document. The following were identified as potential areas for improvement:

- The procedure documents do not contain reference to fraud and necessary procedures for fraud prevention
- Surveyors could be given further information about the expected tenants to compare to during the survey

In addition, although it is clear that checks on the validity of the Right to Buy application are undertaken, and some information relating to the checks is documented, the checks could be more clearly documented. This would ensure consistency and clarity over what checks had been made.

2.1	Agreed Action

Once the new SX3 module is being used to process the RTB applications the procedural documentation will be updated and will include specific reference to fraud and the checks to be undertaken to try to prevent RTB fraud

Priority	3
Responsible Officer	Housing Assistant Team Leader
Timescale	October 2015

Area Reviewed: Right to buy timescales

Severity
Probability

3	Issue/ Control Weakness	Risk
Documents are being send out to right to buy applicants outside the timescales required by the scheme		The amount of income received from the sale of properties may have to be reduced

Findings

The Right to Buy scheme sets out the timescales for returning documents to be provided to the applicants.

During the audit it was found that of 100 RTB2 forms that have been send out to applicants since April 2013, 9 (9%) were sent outside of the required timescale.

In addition, 7 out of 33 RTBs applied for and completed since April 2013 had their offer notice sent out of specified timescales, meaning 11.5% were late.

According to Right to Buy legislation, applicants may service notices of delay if the local authority does not process the application within specified timescales. The local authority must then deduct from the purchase price all rent paid during the period of the delay. If any period of delay lasts for more than 12 months, the rent refund amount will incur an extra charge equivalent to an additional 50%.

3.1   Agreed Action

It is hoped that the new SX3 module will increase the efficiency of RTB application processing. Timescales will be monitored and appropriate action taken.

Priority	3
Responsible Officer	Housing Assistant Team Leader
Timescale	October 2015

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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.
Moderate 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.