



**GEDLING**  
BOROUGH COUNCIL



# INTERNAL AUDIT

# *Report*

*2004-2005*

## **Housing Rents.**

Key Financial System

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**GEDLING BOROUGH COUNCIL**  
**INTERNAL AUDIT REPORT**  
**KEY FINANCIAL SYSTEM AUDIT**  
**HOUSING RENTS.**

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## **1. INTRODUCTION**

- 1.1 An audit of the Housing Rents system has been carried out in accordance with the 2004/05 Audit Plan. The audit reviewed the procedures in place for the raising and collection of rent due from the councils' rental property portfolio.
- 1.2 The review established the current procedures and controls in place and evaluated their effectiveness in ensuring the following control objectives were achieved.
- Properties are identified & accurately recorded in the rent accounting system.
  - Rents due are correctly calculated and recorded on the rent account.
  - Rent collection & payments are carried out securely and recorded promptly against rent accounts.
  - Voids, benefits, write offs/refunds & allowances are correctly calculated, approved & recorded.
  - Arrears are reported and followed up promptly.
  - The system has an audit trail and source documents can be traced.
  - There are adequate back-up arrangements to safeguard the housing rents system data.

## **2. CONDUCT OF AUDIT**

- 2.1 Control matrices were reviewed and expected controls established. Against these were recorded the actual controls and related procedures.
- 2.2 Policies and procedures for the operation of the rent system were obtained and reviewed.
- 2.3 The procedures for the annual review of rents was reviewed and revised rents checked to the rental accounts.
- 2.4 Review was undertaken of the payment methods for rents to ensure complete and timely processing.
- 2.5 The procedures for tracking and reporting void properties, processing write-offs and refunds and other allowances were reviewed to ensure adequate control and authorisation exists.
- 2.6 The reporting and follow-up of arrears was tested to ensure this was adequate and in accordance with procedures. The reporting of rent collection and other departmental performance data was also reviewed and tested.
- 2.7 Audit trails and rent system back-up procedures were also established.
- 2.8 The assistance and co-operation of all staff involved in this audit assignment is acknowledged and appreciated.

### **3. EXECUTIVE SUMMARY**

- 3.1 The following specific areas of weakness have been identified and appropriate recommendations are made in these areas:
- Calculation and application of annual rent increases.
  - System access.
  - Former tenant arrears.
- 3.2 There were no specific Audit Commission Fraud checks applicable to Housing Rents. The fraud checks applicable to cash collection have been applied where appropriate and cross reference to the Cash Receipting audit has also been made.
- 3.3 The recommendations made are considered to relate to findings that represent a low to medium risk to the Council.

### **AUDIT ASSURANCE.**

As a result of the work undertaken during the audit, it was concluded that the Housing Rents system is well controlled and the majority of controls are sound and well applied.

## ACTION PLAN

REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
5.2.2 Med	It is <b>recommended</b> that plans are made to complete the calculation of the annual rent increase within the rent system. This will reduce reliance on the Excel spreadsheet, eliminate the risk of data loss/error in the transfer process and increase utilisation of the rent system.	Rent & Resources Manager.	The current excel spreadsheet has been developed with Finance. Several checks are carried out to ensure that the data calculated is accurate and complete. Due to complexity of the rent restructuring it is considered that the current method is more transparent and efficient than developing the process on the HMS system.	
5.3.2 Med	It is <b>recommended</b> that the Rent and Resources manager reviews authorisation and access levels for rent staff to ensure access supports the control of sundry transactions, in particular refunds, is satisfactory.	Rent & Resources Manager.	Accepted, increased access has been granted to staff whilst new procedures are being developed within the system. Once the development is complete, the R&R Manager will implement appropriate access levels in accordance with job requirements that ensures appropriate segregation of duties.	August 2005.

<b>5.4.3</b> <b>Low</b>	It is <b>recommended</b> that former tenant arrears are reviewed and any old debts which have no recent follow-up action recorded should be recommended for write-off.	Rent & Resources Manager.	Accepted. Key task is to develop FTA procedures in 2005/06.	Jan 06 is Key Task implementation date.
<b>5.4.4</b> <b>Med</b>	It is <b>recommended</b> that effort is put into chasing the more recent former tenant arrears, in accordance with documented recovery procedures, so as to minimise future write-offs.	Rent & Resources Manager.	Accepted. Key task is to develop FTA procedures in 2005/06.	Jan 06 is Key Task implementation date.