



To: Head of Housing Services
 Subject: Housing Rents
 Audit report ref: IAR0607-13
 Date: 20th April 2007

Internal Audit Report

Control Objective 1: All properties are identified and accurately recorded in the rent accounting system.

Risk: Properties may be omitted from rent reviews and collection.

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
1.1 Written procedures exist for controlling rental properties and rent charges.	It was verified that there are written procedures and timetable of scheduled tasks. These are defined in section 5 of the Gedling Borough Council Rent and Procedures (ISO 9001 regulations) notes revised in March 2006. It was noted that not all the Right to Buy instruction notices are signed by the Head of Legal Services.	X	<p>We recommend that the Head of Legal Services should sign all Right to Buy instructions. (Low Risk)</p> <p><u>Management Response</u> In future all Right to Buy instructions will be signed by the Head of Legal & Democratic Services.</p> <p><u>Officer Responsible for Implementation</u> Sarah Baker – Rent & Resources Manager.</p> <p><u>Date for Implementation</u> Immediately.</p>
1.2 The property master file holds a record of permanent standing data for each property and control totals are established, and checked, for each update to ensure that all input has been processed.	<p>The property master file records the standing data of each property. A hard copy is printed annually with adjustments made to the live system being written manually on this. It was confirmed that this file is securely held in the Rent Office</p> <p>Reconciliation was made between the total properties on the master file at audit date to the properties on file at the year end.</p>	✓	

Control Objective 1: All properties are identified and accurately recorded in the rent accounting system.**Risk: Properties may be omitted from rent reviews and collection.**

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
1.3 All amendments to master file data must be properly authorised and submitted in accordance with established procedures.	Source documentation for changes was confirmed as being correctly authorised in accordance with approved procedures.	✓	
1.4 On-line access to the system is restricted to authorised personnel with sensitive functions further restricted to senior staff e.g. write-offs.	A list of authorised users was reviewed and it was noted that it included an Internal Auditor no longer employed by Gedling Borough Council. By discussion the system for User amendments was reviewed and it was confirmed that changes are made only after the correct level of authorisation has been given and documented.	✓	
1.5 The summary of the tenants' rent accounts is agreed to the tenants control account in the main accounting system at regular intervals.	It was established by discussion that this procedure is no longer carried out. It was explained that since the adoption of the SAFFRON system both the tenants control account and the main accounting system are from the same source and that subsequent to this adoption the first few months reviews confirmed that there were no differences, and the procedure was dropped.	✓	
1.6 The Legal Department formally notifies the Lettings Section of dwellings that have been sold or leased. Lettings Section deletes disposals from the property master file.	It was confirmed that notices from the legal department raise memorandum notices to all relevant departments and that the rent office removes properly approved disposals from the master file on the appropriate sale date.	✓	

Control Objective 2: Gross rent and other charges are correctly calculated for each property and recorded in the tenants' rent accounts.**Risk: Tenants may receive incorrect rent demands and the level of complaints may be high.**

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
2.1 The Authority has clearly defined policies and assessment procedures for rents and other housing charges including periodic reviews of charges.	There have been no changes to the formula based rental calculations. It was confirmed from minutes of the Gedling Borough Council that approval had been given to implement the rental review recommendation of up to 5% The previous audit by Gedling Borough Council internal audit recommended that the "housing system" should be brought up to date to enable it to automatically update the master file with approved overall increases, this has not been implemented.	✓	
2.2 Lettings section allocates tenants to new and empty properties and notifies the Rent Accounts section of the date from which rents should be charged.	A sample of twelve new or re-allocated properties in the period 04/06 and 05/06 were checked and agreed from the letting-lists kept by the rent office to the updated account details in the on-line tenancy agreements.	✓	
2.3 Rents charged are in accordance with those agreed by the Authority and access to input or amend rates is restricted.	The spread sheet used to calculate and input the annual rental increase could not be found due to the change of personnel immediately prior to the audit.	✓	

Control Objective 3: Rent collections are undertaken promptly and securely.

Risk: Cash flow may be impacted adversely.

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
3.1 The timing and route of collections is varied as much as possible.	By enquiry and discussion it was established that there are no fixed routes for rent collectors who plan their own schedule. Collectors are instructed to vary routes and where possible not to always start in the same place.	✓	
3.2 Rent strips are handled as controlled stationery.	<p>As noted on previous audits there is no control over rent strips as they are still using old stock which is not sequentially numbered and therefore not fully controllable.</p> <p>Unused stocks are held in the Rent office, and before issue to the collectors are pre-printed with daily batch collections .</p>	X	<p>The existing stock of rent strips should be replaced by pre-numbered strips to ensure rigorous control. These should then be controlled by recording the number of strips issued from stock, with any spoilt strips recorded and signed for. (Low Risk).</p> <p><u>Management Response</u> As discussed and agreed at the audit closing meeting, it is felt that this is a diminishing risk. The number of rent collections is reducing, which is gradually reducing the number of rounds. The box of strips currently in use is held in a locked cupboard. As they are not numbered, the issue is not recorded, and spoilt strips are destroyed. Due to the possibility of housing stock transfer in April 2008, systems may in any case change. Therefore, as previously indicated, it is not proposed to move to pre-numbered stationary as the cost of control outweighs the risk.</p> <p><u>Officer Responsible for Implementation</u> Sarah Baker – Rent & Resources Manager.</p> <p><u>Date for Implementation</u> Not applicable.</p>

Control Objective 3: Rent collections are undertaken promptly and securely.**Risk: Cash flow may be impacted adversely.**

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
3.3 Amounts collected are reconciled to amounts receipted before banking.	Amounts collected are reconciled to the cash office banking returns. This was verified by a sample review of one weeks daily cash collections, cash office banking returns and the total of rent strips as recorded on the daily cash collection summary input by the collectors.. There is an established routine for the investigation of any material differences in excess of £10.	✓	
3.4 Procedures are in place to deal with over/under banking.	From the sample tested in 3.3 it was verified that income recorded to the tenants rent account is the amount recorded on the collection strip. By discussion with the internal audit department it was established that their files showed there to be only one reported cases of tenants disputing amounts paid and credited to their account in the past two years.	✓	

Control Objective 4: Rent collected is correctly and promptly credited to tenants' rent accounts. Risk: Customer service may be perceived as being poor and the level of queries and disputes may increase.			
Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
4.1 Full separation of duties between debt control and rent collection is maintained at all times.	It was verified that there is a satisfactory division of duties with collectors having no control over debt control.	✓	
4.2 Control totals of daily rent receipts are established and used to ensure that all receipts are credited promptly to the tenants' rent accounts. All query items are regularly reported and cleared within one week.	The system of controlling daily rent receipt totals and any subsequent queries was reviewed and found to be sound. A sample test of one weeks Rent Processing report (daily payments) was agreed against the Housing Office "Cash Book" totals. It was verified that these are reconciled both daily and monthly.	✓	
4.3 Items coded to suspense are investigated promptly and cleared.	<p>The system for investigating suspense items was examined. The method of following up current suspense items was reviewed and considered to be sound.</p> <p>The list of outstanding items totalling £578.12 was reviewed, of this sum £456.39 is from a period from 2002 to July 2005. Action to ascertain the correct tenants account has been taken and there is no record of any tenant complaining of payments not being credited against their tenancy.</p> <p>It was reported to the auditor that there have been no write offs from the suspense account since the current system was initiated in 2002.</p>	X	<p>We recommend that the suspense items from prior periods commencing in July 2005 are cleared and posted to more appropriate accounts. (Low Risk).</p> <p><u>Management Response</u> Write off has been agreed with the Housing Accountant. Rent Accounting procedures will be added to the ISO9001 Procedure Manual.</p> <p><u>Officer Responsible for Implementation</u> Sarah Baker – Rent & Resources Manager.</p> <p><u>Date for Implementation</u> 31/05/07.</p>
4.4 A record of property let to employees is maintained and checked to payroll deductions for rent paid.	<p>The only employees occupying council property are wardens and it was established that none of these have access to the rental systems or records.</p> <p>A review of the summary of warden's rental records confirmed the allowances given.</p>	✓	

Control Objective 5: Voids, benefits, write-offs and allowances are correctly calculated, approved and recorded.

Risk: Unauthorised transactions may be processed.

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
5.1 The rent accounts record as void all empty property. Void periods exceeding 'X' weeks for a property are reported to area managers and lettings section.	There are government targets for void properties against which the department measures itself It was confirmed that managers receive a report of all void or empty properties and it was reported that this is run at least weekly. The report categorises void properties, targets to be reached and the various reasons for being unoccupied.	✓	
5.2 Control totals for rent rebates are regularly agreed between the Housing Benefits and rent accounting systems.	It was reported that there has been no return from Housing Benefits section of the weekly Reconciliation report prepared by Housing Rents Section. It was noted that last "Reconciliation Housing Benefits to HMS.LIVE" report entered was for week 18 of the current year, ten weeks before the date of the audit review.	X	<p>There should be a more consistent and regular production of the reconciliation report and a return to the weekly preparation of these reports (Low Risk)</p> <p><u>Management Response</u> Action agreed. This has now been implemented.</p> <p><u>Officer Responsible for Implementation</u> Sarah Baker – Rent & Resources Manager.</p> <p><u>Date for Implementation</u> Implemented.</p>
<p>5.3 All benefits, write-offs, refunds and other allowances must be calculated by one person and checked by another before they are credited to a tenant's rent account.</p> <p>All benefits, write-offs, refunds and other allowances must be calculated by one person and checked by another before they may be credited to a tenant's rent account.</p>	<p>There were no reported write-offs of overdue accounts in the current year. The system for approving write offs was reviewed and considered to be sound with implementation only after approval by the Director of Finance.</p> <p>Wardens are given a 50% allowance on their rent and this was verified to the system summary.</p> <p>Refunds are paid to tenants with exceptional overpayment or credit balance. The system for approving and payment of refunds was reviewed and a sample test proved sound compliance with the system.</p>	✓	

Control Objective 5: Voids, benefits, write-offs and allowances are correctly calculated, approved and recorded. Risk: Unauthorised transactions may be processed.			
Expected control	Audit findings	Expected control met	Audit recommendation <i>and management response, officer responsible and date for implementation</i>
5.4 Access controls restrict sensitive functions (e.g. write-offs) to appropriate senior staff.	The access levels for authorising and processing refunds, write-offs and allowances were reviewed and confirmed as only being available to senior personnel in the Housing Rent Office.	✓	

Control Objective 6: Arrears are reported and followed up promptly.**Risk: Rent arrears may not be managed effectively.**

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
6.1 There are clearly defined and formally approved rent recovery procedures.	It was established by discussion with the Senior Rent Control Officer that there are clearly defined and regulated procedures for the recovery of overdue rents. The process has seven definitive steps before the final seeking of an outright possession order.	✓	
6.2 Separation of duties should ensure that employees: a) with rent collection duties do not have responsibility for maintaining debtors' records or for initiating debt recovery b) with either rent collection or debt recovery duties do not have access to tenants' computer records c) responsible for processing rent reductions and/or write-off do not undertake rent or debt collection duties.	It was confirmed that a) Rent collectors do not have responsibility for either the maintenance debtors records or initiating debt recovery. b) It was reported that the senior rent collector has view only access to tenants records. c) It was confirmed that the Senior Rent Control Officers responsible for the instigation of rent recovery procedures have access to and authority to amend tenants rental records, but are not responsible for actual collections.	✓	
6.3 All arrears of rent are reported regularly to senior management. In addition, arrears over 'X' weeks' are reported separately.	It was confirmed that rent arrears are summarised on a weekly cumulative spread sheet. A review of the current listing confirmed that action is taken against all listed or there is conformation of arrangement to pay is indicated.	✓	
6.4 Rent account statements are prepared periodically for all tenancies and are dispatched directly to tenants, independently of rent accounting or collection officers. Tenants with queries on their rent account statements are asked to contact an officer independent of the rent accounts section.	From examination of a sample of individual tenants files it was conformed that tenants under notice to quit are issued with a statement of current arrears. Following an audit recommendation in 2005 all tenants are issued with twice yearly statements in May and December.	✓	

Control Objective 7: Expected output and management information is produced, appears reasonable and is distributed on time with confidentiality being maintained.

Risk: Management information may not be up-to-date.

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
7.1 There is a list of expected output which is compared to the output produced to identify any reports not produced.	It was verified that there is a list of all expected output included in the ISO 9000 procedures. Evidence of any review of expected output was limited	✓	
7.2 Management information is sufficient to identify significant fluctuations in rent collections.	It was confirmed that there are daily payment reports showing collections by method and area. In addition there is a quarterly statistical report is sent to the Council's senior management team which compares actual and estimated income with a rationalisation of any difference between the two. The report show statistics of rents by payment type, property type, late rents received, and any adjustments made.	✓	
7.3 Rent collection rates are reported and kept under review.	The reports mentioned in 7.3 include average rent collection rates and any late rents.	✓	

Control Objective 8 : Management trails exist and appropriate backup copies of files are taken and held securely.**Risk: System assurance and continuity may be compromised.**

Expected control	Audit findings	Expected control met	Audit recommendation and management response, officer responsible and date for implementation
8.1 Data is readily identifiable and can easily be related to source documents and vice versa.	It was confirmed from sample tests made during this audit that tenant's data is identifiable by individual a/c number, and properties by unique property id. Source and supporting documents reviewed during these tests could readily be identified and traceable to the relevant tenant and property accounts.	✓	
8.2 A history file is maintained.	It was verified that there is a history of transactions on the Merlin transaction reports. There is evidence of these being checked and it was reported that the checker is not the originator of the entry.	✓	
8.3 Source documents are easily located.	It was observed that source documentation required during the audit was readily and easily available for inspection and/or verification.	✓	
8.4 A contingency plan is in place to cope with system failure.	The resources manager confirmed that a recent review of emergency back up procedures had been undertaken and staff conformed that arrangements were in place to relocate to alternative premises and there is a co-ordinated IT recovery plan.	✓	
8.5 Back-up copies of files are taken immediately following update runs (batch Systems) or at appropriate intervals (on line systems).	It was confirmed with IT there are daily overnight back up procedures with the latest tapes kept in fireproof safes on the premises and previous tapes taken off site.	✓	
8.6 Sufficient copies of back-up files are taken and stored securely at a remote location.	As noted at 8.5 above.	✓	