



INTERNAL AUDIT

FINAL REPORT

Title: Review of Housing Rents

Report Distribution

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EXECUTIVE SUMMARY

Introduction

An audit of Housing Rents was undertaken as part of the approved internal audit periodic plan for 2007/08.

The expected income from dwellings for the financial year 2007/08 is £8,683,300.

Principal Findings

	High	Medium	Low
Number of recommendations	0	1	0

The detailed findings and associated recommendations are provided in the second part of this report. The medium-risk recommendation relates to:

- The need to update procedure notes to include the new financial management system.

A previous audit review of Housing Rents was undertaken in the autumn of 2006. This review provided substantial assurance over the controls reviewed, with four recommendations made. A review of these recommendations found that three had been fully implemented. The fourth recommendation related to the fact that the authority does not use pre-numbered stationary for rent strips. Compensatory controls are in place, whereby rent collection printouts are used to control the collection and recording of rental income. Given the proposed housing stock transfer it was agreed that it would not be cost effective to incur the costs associated with replenishing stationary stocks. This issue is still prevalent, pending completion of the proposed housing stock transfer.

Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

The objective of our audit was to evaluate the auditable area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. The control system is put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively.

The key risks associated with the system objectives are:

- Tenants may be charged incorrectly which could result in the loss of income to the authority.
- There could be a loss of income to the authority together with additional costs for collecting outstanding income.
- Loss of income due to fraud and error, inefficient processing or inappropriate activity.
- Uncontrolled access to IT systems could result in data being amended without adequate documentation and authorisation.

The control areas included within the scope of the review are:

- Properties are identified and accurately recorded in the Rent Accounting System;
- Gross rents are correctly calculated and recorded;
- Rent collections are undertaken promptly and securely, and are accurately recorded in the Rent Accounting System;
- All voids, benefits, write-offs and allowances are correctly calculated, approved and recorded;
- Arrears are reported and followed up promptly;
- Management information is controlled, confidential, auditable and backed up.

The following limitations to the scope of the audit were agreed when planning the audit:

- We will not actively seek to detect fraud;
- We will not review the system for budgetary control;
- We will not review any associated/feeder systems other than control totals and the input/transfer of these;
- We will not form an opinion on the financial state of affairs of the Authority.

Confidential

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authority's objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
Recommendation 1 - Documented Procedures Level of Risk – Medium			
The procedure notes for the processing of housing rents have not been updated to reflect the change of financial system.	There is a risk that staff, especially any new members of staff, are not fully aware of how tasks are to be performed.	Management should ensure that an up-to-date, formalised set of procedure notes are documented and made available to staff. Action: Sarah Baker – Rent & Resources Manager	Management Comment: Recommendation agreed Planned Corrective Action: Rental income procedure notes will be reviewed and updated. Timescale: 31 st January 2008

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect to the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are one or more significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

Any Questions?

If you have any questions about the audit report on any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk