



Internal Audit

FINAL

## Dacorum Borough Council

Assurance Review of Housing Rents

2020/21

March 2021

# Executive Summary

## OVERALL ASSESSMENT



## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Due to the high volume of transactions and the income involved this is a high risk area, with budgeted rental income. The systems and controls in place for the Housing Rents processes are audited on an annual basis as they have a material impact on the Council's financial statements. They are also subject to an external annual review for ISO9001bt. The adequacy and effectiveness of the key internal controls have been reviewed for the purpose of this report

## SCOPE

The audit reviewed the following key areas: There are up to date documented procedures for all aspects of the rent, accessible to all staff who need them, Recommendations from the previous audit report have been implemented, Rents due are being collected and promptly allocated to the correct rent accounts, Benefits awarded are being properly allocated to the correct rent accounts, Case records provide a management trail and complete case history.

## KEY STRATEGIC FINDINGS



Overall, key controls were found to be robust and operating effectively. With respect to the key systems and controls for rent collection, it was noted that there had not been any significant changes to policies. Letters not being sent because not in office to print letters.



Sample testing of write-offs highlighted no significant concerns.  
UDC alerts are on some accounts which is a marker raised to look at specific people impacted by COVID.

## GOOD PRACTICE IDENTIFIED



The Court Procedure and Former Tenant Arrears Procedure were last reviewed in June 2020. The Analytics was to go live in November 2019 however was delayed and went live in March 2020.

In March 2020 a new system was introduced called Income Analytics. It uses design filters that are like worklists which concentrates on key areas e.g. low arrears and rent arrears. The system sends a bulk email to prompt payments, follow ups etc.



KPI's are produced automatically each month and management review these e.g. / Percent of rent arrears O/S, percentage late; etc. These are presented to CMT (Corporate Management Team). Quarterly they go to Overview and scrutiny. DBC also participate in a benchmarking system (HouseMark).

## ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No recommendations were made.							

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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## Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

## Findings



**Directed Risk:**

**Failure to properly direct the service to ensure compliance with the requirements of the organisation.**

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	<b>Governance Framework</b>	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	--	--
RM	<b>Risk Mitigation</b>	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	--	--
C	<b>Compliance</b>	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	--	--



**Delivery Risk:**

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	<b>Performance Monitoring</b> There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	--	--
FC	<b>Financial Constraint</b> The process operates within the agreed financial budget for the year.	In place	-	--
R	<b>Resilience</b> Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Out of scope	-N/A	--N/A

**Other Findings**



**Former Tenant Arrears Testing**

- Three of the sample chosen for testing were set up with a Payment Plan and funds are received by DBC regularly.
- One of the sample chosen for testing was in the process of being sought after by Experian. It was disclosed during testing that this search will continue for three months and if no contact has been made, the debt will be written off as uncollectable debt.
- One of the sample chosen for testing was a supported Housing Scheme that was demolished over 20 years ago. DBC can make the property live again and do something with outstanding debt however, Management are hesitant to do so in case it causes problems/errors within the system.
- Policy states that court cost debt cannot be collected by DBC until the rent arrears are paid back in full.

## Other Findings



### Write Offs

- All write offs chosen for sample testing were processed and approved correctly within a timely manner.
- All write offs chosen for sample testing were recorded correctly on the Orchard system.
- A reason for each write off was appropriately evidenced and recorded.



### Rent Charges

- CPI+1 – CPI set at 1.7% so DBC could increase, increase applied of up to 2.7% as of 6th April 2020.
- Aim to have tenants receive their letter of notification 4 weeks in advance and make sure that Cabinet have given approval to the rent charge.
- Screenshots of Orchard demonstrate application showing formula rent and increase.
- The information indicated appropriate management metrics for example the formula for the amount of rent if current tenant were to leave.
- A new rent letter template was provided which clearly states rent increase of up to 2.7% in line with government legislation.
- Flats & Supported Housing demonstrated that different rents were charged appropriately (they have different rent charges due to supported services and service charges (utilities, lifts, window cleaning etc.) added).
- Additional charges evidenced in Orchard were fully evidenced with screenshots being provided.



### Current Tenant Arrears

- Current tenant arrears accounts were receiving regular payments at the time of sample testing.
- Due to Covid-19, the council are currently unable to evict their tenants. Court proceedings are being stayed which prevents the council from being able to escalate the issue of missing payments.
- Two of the sample chosen for testing were in arrears due to the timing of the payments.
- The other sample chosen for testing were in arrears due to a shortfall in UC payments.

**Other Findings****Cash Reconciliation Testing**

- Council tenants and garage owners can pay their rent using a variety of methods including direct debit, paying at cash offices, over the internet or telephone and using swipe cards.
- Sufficient evidence was provided by DBC to confirm that cash reconciliations are carried out accurately and in a timely manner.
- Five days were chosen and evidence of Orchard reports (cash & direct debits), Bank Statements, Payment methods breakdown and AIM System reports were provided.

**Housing Reconciliation Testing**

- Reconciliations were completed in a timely and appropriate fashion.



## Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

## Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

## Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

<b>In place</b>	The control arrangements in place mitigate the risk from arising.
<b>Partially in place</b>	The control arrangements in place only partially mitigate the risk from arising.
<b>Not in place</b>	The control arrangements in place do not effectively mitigate the risk from arising.

## Assurance Assessment

4. The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
<b>Limited Assurance</b>	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
<b>No Assurance</b>	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

## Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

## Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
<b>Audit Planning Memorandum:</b>	16 <sup>th</sup> September 2020	24 <sup>th</sup> September 2020
<b>Draft Report:</b>	4 <sup>th</sup> March 2021	8 <sup>th</sup> March 2021
<b>Final Report:</b>	9 <sup>th</sup> March 2021	

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	Housing Rents		
<b>Type of Review:</b>	Assurance	<b>Audit Lead:</b>	Yasmeen Mehmood/Maisie Allen and Philip Lazenby

<b>Outline scope (per Annual Plan):</b>	<p>Rationale: Due to the high volume of transactions and the income involved this is a high risk area and subject to an annual audit. The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making. Scope: To audit will review the following key areas: There are up to date documented procedures for all aspects of the rent, accessible to all staff who need them, Recommendations from the previous audit report have been implemented, Rents due are being collected and promptly allocated to the correct rent accounts, Benefits awarded are being properly allocated to the correct rent accounts, Case records provide a management trail and complete case history</p>		
<b>Detailed scope will consider:</b>	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
<b>Requested additions to scope:</b>	(if required then please provide brief detail)		
<b>Exclusions from scope:</b>			

<b>Planned Start Date:</b>	24/09/2020	<b>Exit Meeting Date:</b>	N/a
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### SELF ASSESSMENT RESPONSE

<b>Matters over the previous 12 months relating to activity to be reviewed</b>	<b>Y/N (if Y then please provide brief details separately)</b>
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	Y
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N