



Internal Audit

**FINAL**

## Dacorum Borough Council

Assurance Review of Housing Rents

**2021/22**

February 2022

# Executive Summary

## OVERALL ASSESSMENT



## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

**SR1** - Funding and income is not sufficient to deliver the Council's Corporate Objectives.

## 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; and Case records provide a management trail and complete case history.

## KEY STRATEGIC FINDINGS



Review and testing of a sample of refunds, identified that Tenants are utilising their rent account as an alternative to a savings account.



There is a backlog in dealing with Current Tenant Arrears, due to the pandemic, which has led to not all arrears having being actively pursued.



Review and testing of Former Tenant Arrears, identified that arrears are not actively pursued or monitored. The debt could be deemed as legally statute barred.



The "unmatched suspense" account contains a balance totalling circa £9,000, with the earliest transaction dated 2010.

## GOOD PRACTICE IDENTIFIED



There is adequate segregation of duties in place across all processes underpinning the rent management and arrears collection.



A pro-active approach is taken to identify abnormal transactions and adequate action taken on the identification of suspicious transactions.

## ACTION POINTS

Urgent	Important	Routine	Operational
0	4	2	1

## 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)
2	Directed	<p>Review and testing of a sample of 10 refunds, identified that tenants were, in a number of instances, overpaying their housing rent, and in some cases were paying rent during the rent free period.</p> <p>Discussions held with the Housing Officers, indicated the possibility that a number of Tenants were effectively treating their rent account as a savings accounts.</p>	The Housing team must periodically review tenant accounts in credit; and note reasons, for such balances. Where it is identified that tenants are overpaying rent, the Housing team must take appropriate action.	2	<p><i>Rent recovery procedures concentrate on accounts in rent arrears and officers have not previously been expected to prioritise accounts in credit. The introduction of Income Analytics (IA) means accounts in credit are easier to monitor as below.</i></p> <p><i>Officers are required to check accounts with large credits balances using a 'filter' on Income Analytics. Lead Officers will also check these accounts to ensure large credits are being dealt with in the appropriate way.</i></p> <p><i>We recognise that some tenants prefer to have credit on their rent account in case of a change in circumstances, particularly in view of the financial impacts of utility price increases and inflation. We would not want to discourage these good behaviours but propose to review accounts with 6 weeks rent credit and above.</i></p> <p><i>Action – Lead Officers to add as a regular discussion point/check at staff supervisions.</i></p>	31/01/22	Lead Officers Rent and Income

PRIORITY GRADINGS

**1** **URGENT** Fundamental control issue on which action should be taken immediately.

**2** **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3** **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	<p>Review and testing of a sample of 10 Current Tenant Arrears (CTAs), identified that where the Housing Officers had made contact with the Tenants, an agreed payment plan was put in place. However, where there had been no contact with the tenant, there was no agreed action, in reducing the arrears.</p> <p>It was advised that the Housing Team have a backlog in dealing with such cases, due to resource constraints, which is currently under review.</p>	<p>Upon resolving the resource constraint issue, the Housing Team must ensure that Current Tenant Arrears are reviewed and appropriate actions agreed with the Tenant.</p>	2	<p><i>During testing there were at least two accounts identified where there was 'no contact' or any evidence of an agreed action in place to reduce arrears and these were identified as accounts managed by an employee where performance issues were identified and rectified.</i></p> <p><i>The Covid pandemic has affected tenant's ability to pay rent meaning officers are spending a lot more time offering intense support and this has greatly impacted their workload and ability to reach all accounts and tenants with arrears.</i></p> <p><i>Recruitment of two extra income officers will reduce the number of accounts on their 'patch' enabling officers to manage all their rent accounts whilst maintaining support needed for vulnerable tenants.</i></p> <p><i>Two Income Officer posts have been successfully recruited too.</i></p>	30/04/22	<p>Gill Swift Lead Officer Rent and Income</p>

PRIORITY GRADINGS

**1** **URGENT** Fundamental control issue on which action should be taken immediately.

**2** **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3** **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Directed	<p>Review and testing of a sample of 10 Former Tenant Arrears (FTAs), identified that:</p> <ul style="list-style-type: none"> <li>In one instance, a payment plan was put in place in October 2000, the tenant is paying £4 per month. However, there has been no review conducted post agreement, to assess whether the payments could be increased;</li> <li>In two instances, a payment plan was put in place, 2019 and 2020 respectively. However no payments have been made by the tenant to date.</li> <li>The last contact date noted on one of the tenant's account was May 2020 whereas the other tenant's account had no notes.</li> <li>In one instance, the tenant owes £6365.32 as well as accumulating arrears on a current property. It was noted that there were no notes on the tenant's account.</li> </ul>	Where FTAs are not pursued, the debt may be legally deemed as 'statute barred'. It must be ensured that FTAs are actively pursued and tenant accounts must contain adequate notes to demonstrate debt has been pursued.	2	<p><i>Further investigation of FT accounts has shown that at times the system is failing to move accounts on to next arrears stage prompt therefore getting 'stuck' in the process. This system error is currently being resolved and in the meantime a review of all former tenant (FT) rent accounts in arrears is being conducted using an age of debt and balance based report</i></p> <p><i>Review the former tenant rent arrears recovery procedure to ensure fit for purpose. Bench marking with other organisations.</i></p> <p><i>Lead Officer to closely monitor the work carried out on FT accounts to ensure thorough notes are being made and correct procedures carried out to actively pursue arrears.</i></p>	<p>31/03/22</p> <p>30/06/22</p> <p>31/01/22</p>	Team Leader and Lead Officer

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	Directed	Review of the Financial ledger's suspense account, lists unmatched income and expenditure including housing rent payments. It was noted that it lists an unmatched balance totalling circa £9000, with the earliest transaction dating back to 2010.	Old balances be investigated for allocation or be considered for write-off.	2	Review of suspense account to be carried out.	30/09/22	Lead Officer/Senior Debit Control Officer
1	Directed	The Council's Housing Policy review cycle requires Policies to be reviewed every 3 years. The "Rent Arrears and Write Off" Policy was last reviewed in 2017.	The 'Rent Arrears and Write Off' Policy be reviewed as per the review cycle, i.e. every three years.	3	Policy to be reviewed Q1 2022.	31/05/22	Team Leader

PRIORITY GRADINGS

**1 URGENT** Fundamental control issue on which action should be taken immediately.

**2 IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3 ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Directed	During the testing of CTAs, it was noted that the Housing Officers will send tenants text/e-mail reminders for missing weekly/monthly rent payments. However, this function is not utilised as often as it should be.	The Housing Team to generate a missed payments report and to send texts/e-mails to those tenants of the missed rent payment.	3	<p>Officers make excellent use of the bulk and individual text and emails function on Income Analytics (IA). Bulk information is sent at year end to remind tenants to update their UC journal and also during rent free weeks as a reminder to pay if in arrears.</p> <p>Over a period of 8 months from April to December 2021 officers sent a monthly average of 1100 texts and 450 emails via IA.</p> <p>Missed payments are monitored via an IA filter (report) - A weekly Bulk text/email to these accounts could be implemented however we would not want to move away from the ethos of contact and support for tenants, an automated message is a blanket approach regardless of tenant's circumstances and we would prefer to proceed with an element of caution.</p>	30/06/22	Lead Officers

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
----------	---------------	--

<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
----------	------------------	--

<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
----------	----------------	--

## Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	<p>Once the rent values are imported into the Housing system, rent letters are generated and a sample are checked.</p> <p>It was noted that there is nothing formally written to dictate the sample size to be selected for review nor the categories.</p>	<p>It is suggested that as a minimum, 5% for each tenure, is selected for the sample review to ensure that an adequate sample size is checked for data accuracy prior to the finalisation of the rent values.</p>	<p><i>For rent letters, a sample size of 5% per tenure will be checked prior to the 22/23 issue to tenants.</i></p>
2	Directed	<p>During audit testing of FTAs, CTAs and Refunds, it was noted that non-payment of rent or payment plans are not identified in a timely manner, as there are no specific reports in place which would flag such cases.</p>	<p>It is suggested that a report is created, which identifies accounts where rent payments and payment plans have not been received or where overpayments are constantly occurring.</p>	<p><i>Such reports are available on Income Analytics (IA) and officers are expected to use these reports weekly to check exactly these issues.</i></p> <p><i>The increase in staff levels will afford officers more time to cover all rent accounts in arrears.</i></p> <p><i>Where payment plans are agreed officers must add voluntary arrangements to the system to ensure IA tracks the payments and picks up any missed payment and prompts a concern and moves the account to a higher risk level.</i></p> <p><i>Lead Officers will monitor this on rent accounts and discuss at 1:1's with staff.</i></p> <p><i>FTA's are now being monitored using a balance based report until a review of the FTA procedures is complete.</i></p>

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.	Partially in place	1, & 2	-
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.	Partially in place	2,3, 4, 5 & 6	1 & 2

### Other Findings



The Housing and Income officers are assigned properties, and are responsible for ensuring rents are paid and to pursue Current Tenant Arrears. The Housing Officers utilise the 'Income Analytics' system (IAS). The IAS is set up with default filters and generate reports, namely accounts in arrears, based on a risk profile from 0 to 5, where 5 is high risk, which is determined by the stage where the arrears process is at.

The Housing officers have some flexibility, to set their preferred parameters, in order to prioritise work load. Overall team performance is monitored by Lead Officers to ensure recovery targets are being met. The Former tenant Arrears (FTAs) Officer is responsible for the FTAs, who is aided by other members of staff who provide cover where needed.



The following monthly reconciliations are performed by the Finance team:

- Housing unit reconciliations between Orchard and Unit4; and
- Housing Benefit and rent receipts reconciliation.

## Other Findings



Rents are set by tenure and approved as part of the annual budgetary control process. Annual rent values are applied to individual properties using an excel model (formula rent values). Once the model is finalised by Finance and all automated checks have been validated, the information is imported into the Orchard system (housing system) pending test runs to ensure data accuracy. Subsequent to the data import, system generated letters are sample checked.



Suspense accounts are reviewed on a weekly basis by the Rent and Income team with the aim of maintaining balances at a minimum, comprising of two accounts:

- Suspense account;
- Unmatched suspense account.



Discussions held with the Rent and Income Team Leader, it was noted that additional resources are being sought to deal with the backlog, namely to aid with faster processing and recovery of arrears. Rent accounts are regularly monitored for abnormal transactions and investigated if a suspicion for fraud arises followed by regulatory notifications.



Build-up of rent credits is primarily due to:

- Backdated Housing Benefit (HB) payments;
- Ongoing standing orders continuing alongside HB;
- Payments made during rent free periods;
- Water credits; and
- Intentional overpayments.



Audit testing was carried out as follows:

- A sample of 10 properties having had rent changes was selected from the rent review model to ensure data accuracy - no issues were noted.
- Reconciliations of property listings, housing benefit and rent receipts were reviewed - no issues were noted.
- A sample of 10 Current Tenant Arrears was selected, overall evidence of adequate correspondence and policy adherence was evident through the audit trail.
- A sample of 10 write offs was selected and no issues were identified with authorisation and audit trail.
- 10 former tenant arrears were selected and a number of issues were found (See Recommendation three).
- 10 new tenancies were selected and no issues were identified.
- Eight suspense account transactions were selected and no issues were identified however, the total unmatched balance within the unmatched suspense account amounted to approximately £9,000 with the earliest transaction dating back to 2010.





**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.	In place	-	-

**Other Findings**

-  Quarterly management accounts are presented to the Executive Leadership Team, which covers rent income in detail along with a KPI dashboard which includes key metrics relating to rent collection.
-  Total annual budget for 2021/22 for dwelling and non-dwelling rent income was set at £55,465,102 with outturn to the end of the year forecasted as £55,186,102, due to an adverse variance - increase in voids and associated costs during the year. The overall forecast outturn is a surplus for the year forecasted to be £559,000, as savings in repairs and maintenance costs may be realised.

## EXPLANATORY INFORMATION

## Appendix A

### 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>	8 <sup>th</sup> September 2021	8 <sup>th</sup> September 2021
<b>Draft Report:</b>	13 <sup>th</sup> December 2021	11 <sup>th</sup> February 2022
<b>Final Report:</b>	11 <sup>th</sup> February 2022	

# 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>	Auditor and Audit Manager

<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.</p> <p>Scope:</p> <p>To audit will review the following key areas:</p> <ul style="list-style-type: none"> <li>• There are up to date documented procedures for all aspects of the rent, accessible to all staff who need them;</li> <li>• Recommendations from the previous audit report have been implemented;</li> <li>• Rents due are being collected and promptly allocated to the correct rent accounts;</li> <li>• Benefits awarded are being properly allocated to the correct rent accounts; and</li> <li>• Case records provide a management trail and complete case history.</li> </ul>
<b>Requested additions to scope:</b>	(if required then please provide brief detail)
<b>Exclusions from scope:</b>	

<b>Planned Start Date:</b>	01/11/2021	<b>Exit Meeting Date:</b>	11/11/2021	<b>Exit Meeting to be held with:</b>	Sandra Mogan
----------------------------	------------	---------------------------	------------	--------------------------------------	--------------

### 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?	N
Have there been any significant changes to the process?	Y (Covid-19 related)
Are there any particular matters/periods of time you would like the review to consider?	N