

**TONBRIDGE & MALLING BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**24 January 2011**

**Report of the Chief Internal Auditor**

**Part 1- Public**

**Matters for Information**

**1 FOLLOW UP TO PREVIOUS HOUSING REPORTS**

**Summary**

**Following a report to the Audit Committee of 12 October 2010 the Chief Internal Auditor was requested to hold further discussions with the Housing Service in order to agree a realistic time-frame for improving the level of assurance and to report back to this Committee on whether these improvements had been achieved. Members also requested that the Chief Housing Officer attend the meeting to assist in any discussion of the report.**

**1.1 Housing Register & Kent Homechoice Lettings – Report 43 – 2009/10**

- 1.1.1 This report was undertaken as a review of the new scheme introduced for maintaining the Housing Register and subsequent letting and was issued in May 2010. The auditor issued this report with a minimal assurance level. This was due to a high number of errors being found in the testing with incomplete records.
- 1.1.2 An action plan was received from the section in June 2010 agreeing to the recommendations and setting out reasonable target dates. The longest target date was for the introduction of Experian credit checks by 1 December 2010.
- 1.1.3 There has been considerable improvement in this area with procedure notes having been produced. The audit follow-up work carried out looked at a small sample for the period since the original audit. With this caveat in place, it would appear that this area has made great strides towards a higher audit opinion. However, not all recommendations made were implemented in full.
- 1.1.4 There were still problems in obtaining the financial information from clients for the two month period set out in procedures. In order not to cause delays to clients where the information was delayed by the banks or building societies the Chief Internal Auditor was contacted to see if a lower level of check would be acceptable. At the time the negotiations to carry out Experian checks were taking place and in light of this a more pragmatic approach was agreed.

- 1.1.5 At the time of writing this report there has been a draft contract received from Experian with a planned date to agreeing the contract during December 2010. This was the original target date following the audit.
- 1.1.6 Temporary staff are now given access to the Homechoice procedural manual and the Accommodation Manager is monitoring the work of any temporary staff.
- 1.1.7 Testing of pregnancy indicators demonstrated that these were being updated correctly. An examination of a sample of other documents showed that these were all being date stamped.
- 1.1.8 A checklist was being used but it was noted that there was not a record of who had completed it and this was suggested as a further improvement.
- 1.1.9 A sample of new applications was examined to ensure that they had been signed and no queries arose.
- 1.1.10 Declarations of interest are now being recorded of the Locata system and is also included in the procedure manual as a requirement. A report from the Locata system showed that fourteen declarations had been made.
- 1.1.11 The risk register has been updated .

## **1.2 Housing Renewal Partnership Agreement Report No. 20 – 09/10**

- 1.2.1 This report arose from a request by the service to audit the controls in place relating to North and West Kent Private Sector Housing Renewal Partnership for which this Council is the lead authority. The original report was issued in December 2009.
- 1.2.2 The opinion given by the auditor was limited mainly due to the fact that there was no agreement signed by the partners. The auditor's opinion would have been substantial if this agreement had been in place.
- 1.2.3 The action plan was received back from Housing in December 2009 with an agreement to draw up a partnership agreement by 31 March 2010 and to immediately monitor any procurement exercises carried out on behalf of the partnership. Two further medium priority recommendations were agreed to be implemented immediately.
- 1.2.4 The drawing up of an agreement took a lot longer than anticipated due to the number of partners involved but it was finally completed in October 2010. As this was the main reason for the limited opinion then the auditor is satisfied that the function would receive a higher audit opinion now.

### **1.3 Homelessness Report No. 33 – 2009/10**

- 1.3.1 This report resulted as a follow-up to a previous report in 2008/09 relating to financial controls within the Housing Section relating to rent deposits, rent advances and bed & breakfast payments.
- 1.3.2 The auditor gave a minimal opinion because of the poor financial records. However, they did state that if it was not for poor financial record keeping then the opinion would be higher as the review of homeless decisions and advice did not result in any major concerns.
- 1.3.3 The report contained seven recommendations and an agreed action plan was received in June 2010. A follow-up to the audit was carried out in December 2010.
- 1.3.4 The first three recommendations related to updating procedures and including instructions to help confirm applicant's identity. All of these items were to be included in updated procedure notes with a target date of July 2010. Some procedure notes were completed in April 2010 and the final set of procedure notes were completed in November 2010. These met the requirements of the recommendations made in the audit report.
- 1.3.5 The next three recommendations related to Bed & Breakfast payments. Details of these were kept on a spreadsheet updated by Housing staff. The initial audit had found that not all information was kept on the spreadsheet and that the details on the spreadsheet were not reliable. The action plan identified a target date of July 2010 to address all of the issues.
- 1.3.6 A sample of Bed & Breakfast invoices relating to September /October 2010 were extracted from Exchequer Services. These were then traced through the debtors accounts to check if the correct amounts had been recharged. The Housing bed and breakfast spreadsheet was also obtained.
- 1.3.7 Housing were required to keep a spreadsheet showing bed and breakfast payments up to date and to add a column showing the cost of provision. The spreadsheet supplied by Housing was up to date. However, there are still some discrepancies on the cost of provision. The figure used for recharge should be the cost to the Council including VAT. It appears that some accommodation providers quote ex-vat and this figure has been used.
- 1.3.8 A reconciliation of nights charged and nights recharged should take place. The Housing spreadsheet does not show this, only what has been invoiced. The testing for a sample of September/October invoices found no discrepancies between the numbers of nights charged and nights recharged. The bed and breakfast spreadsheet would need to be amended for this reconciliation to take place as clients are charged weekly whilst invoices for provision are received monthly or weekly depending on the provider.

- 1.3.9 Housing Services are currently working with IT to develop database for dealing with these payments including reconciliation between supplier and client invoices.
- 1.3.10 There was a recommendation that amounts relating to Bed and Breakfast are coded correctly and include the correct format within the procedure notes. The bed and breakfast spreadsheet records the job code allocated to each client. However, there were a number of cases where this code was not completed in the spreadsheet. A spreadsheet was prepared from a sample of accommodation paid in November/December 2010 to test that codes were correct for expenditure and income for individuals. These were generally found to be correct although there were some cases where the codes of the Housing spreadsheets were not completed and invoices had not yet been raised to recover the debt.
- 1.3.11 Further information was obtained from Housing where it was established that these cases refer to clients where there are no address details and an invoice cannot be raised and therefore a job code is not generated.
- 1.3.12 The final recommendation related to updating the risk register to include financial risk. Again a target date of July 2010 was identified. This update took place in the revised risk register dated June 2010.
- 1.3.13 The original audit opinion was minimal due the inaccuracies found on the financial record keeping rather than the housing function. Although the testing shows an improvement there are still areas where the financial processes are still inconsistent. However, the progress made would suggest that a substantial audit opinion has been reached as the risk of significant financial error has been reduced.

#### **1.4 Housing Investigation Follow-Up Report No. 53 2009/10**

- 1.4.1 This report was a follow up to a previous review in 2008/09. This report looked at the progress made against the original action plan and was given a limited opinion as previously agreed recommendations had not been implemented. This follow-up report resulted in eleven recommendations. These recommendations were reviewed for progress in October/November 2010.
- 1.4.2 Recommendation R1 concerned obtaining sufficient information being obtained from clients in order to enable debt recovery and this recommendation has been met.
- 1.4.3 Recommendation R2 required a checklist to be used in order to ensure that files were complete. A sample of nine cases picked at random found five without completed checklists. These files were found not to be complete.
- 1.4.4 Concerns were raised during the original audit on how long it took to request first payment to repay loans. A target of seven days was recommended. A sample of twenty-seven cases was reviewed from the Housing spreadsheet kept as a record. Two were found note to have had an invoice raised several months after

the loan was made and only three had the first instalment paid within the first week. There had been some discussion with Housing that seven days was an unrealistic target and fourteen days would be achievable. Out of the sample of twenty-seven only four were raised within fourteen days.

- 1.4.5 Recommendation R4 related to ensuring that no debt was owed to the Council before a rent deposit or rent advance was made. Out of nine cases reviewed, five had outstanding Council Tax debt and one had outstanding debt from a previous advance of rent.
- 1.4.6 Recommendation R5 related to including instalment information on the notes screen of the sales ledger. Out of the sample of twenty-seven cases seven had no instalment information included. A further two did not have invoices raised.
- 1.4.7 Recommendation R6 was that Accountancy should be notified of all new bonds raised in order to evaluate financial risk. This was achieved by sharing a spreadsheet completed by Housing of all new bonds. This seems to be working.
- 1.4.8 The next recommendation required a complete audit trail to be kept for housing files. This was tested using a sample of nine housing files. These included rent in advance, deposit loans and repossession prevention loans. Although a majority of information was in the files none had a complete audit trail. This could be achieved by having a standard layout for these files.
- 1.4.9 It was recommended that where Housing had more than one file for an individual then these should be cross-referenced. The implementation date set by Housing was November 2010 and this date had not been reached at the time of testing.
- 1.4.10 Concerns were raised that there was a weakness with the storage of personal data. Housing are currently considering document image processing with a date of April 2011 as a target. This will reduce significantly the storage required and will enhance the security of personal data. This problem cannot be fully resolved until then.
- 1.4.11 CLG funding required procedure notes to be written and these were completed for the November 2010 SHAB meeting.
- 1.4.12 The final recommendation was that CLG funding cases had an explanation of the decision making process that led to the award. No cases of CLG funding were found in the sample so this was not tested.
- 1.4.13 The original audit and original follow up audit gave a limited opinion. It is clear that there has been significant improvement in the administration of these functions. The auditor who undertook the most recent testing felt that the opinion had certainly moved towards substantial but was still on the margin. There is a need to spend more attention to detail in the administration and financial aspects of this function.

## **1.5 Overview**

- 1.5.1 There has been a significant improvement in the procedures relating to Housing however, there are still a number of areas where recommendations have not been completed in full. In addition, there are still areas of incomplete detail or delays in progressing information and recovery. Full sets of procedure notes have now been completed from November 2010 so there are some areas where testing took place before these procedures were agreed.
- 1.5.2 All of the areas have moved towards a higher audit opinion although in some cases these would only just be achieving a substantial opinion. The concern to Internal Audit is the length of time that it has taken to achieve this position.

## **1.6 Legal Implications**

- 1.6.1 There are no direct legal implications resulting from this report.

## **1.7 Financial and Value for Money Considerations**

- 1.7.1 There are no significant financial issues arising from this report.

## **1.8 Risk Assessment**

- 1.8.1 The risks previously identified have been included on the updated risk registers and steps have been taken to minimise them.

## **1.9 Equality Impact Assessment**

- 1.9.1 No impact was identified as this is an information paper only.

Background papers:

contact: David Buckley

Audit Files

David Buckley  
Chief Internal Auditor