

## Internal Audit Final Report

Property and Housing

Housing Rent Collection

Description	Priority	No.
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	2

### Audit Opinion

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

### **Distribution:**

Executive Chief Officer – Property and Housing  
 Head of Housing & Building Maintenance – Property and Housing  
 Service Lead – Housing Policy & Performance – Property and Housing  
 Housing Policy and Investment Manager – Property and Housing  
 Housing Policy Officer – Property and Housing  
 Business Support Officer – Property and Housing  
 Head of Corporate Governance – Performance and Governance  
 Business Manager – Performance and Governance  
 External Audit

**Report Ref:** HPH01/001  
**Draft Date:** 19/05/23  
**Final Date:** 06/06/23

## 1. Introduction

1.1 Budgeted income for housing rents in the 2022/23 financial year was £56.093m. The audit looked at all aspects of housing rental income collection, including how the rent roll is kept up to date and accurate, how the annual rent increase is applied and how rent charges and payments are recorded on the Housing Information Management System (HIS) and in the financial ledger (Integra).

Current rent arrears at Q3 2022/23 stood at £3.208m and the audit also looked at the way in which housing debt and rent arrears are managed. The controls in place around the processing of rent refunds and the write-off of housing debts were also examined.

A sample of transactions relating to various elements of the housing rent collection process for the 2022/23 financial year was analysed to verify that processes are working effectively.

## 2. Main Findings

### 2.1 *Rent roll*

This objective was fully achieved. A property reconciliation report is produced weekly which details the number of void and occupied properties within each Area and enables any changes in the numbers to be reconciled to ensure changes are correct. This means that any amendments to the rent roll are identified and actioned promptly.

### 2.2 *Rent charges*

This objective was fully achieved. There are detailed procedures in place covering all year end processes, including application of the annual rent increase, agreed by the Housing and Property Committee, to all occupied properties on the HIS. The revised rent charges for 2022/23 (with agreed 1% increase applied) were prepared by one officer from the Housing Systems Development Team (HSDT) and checked by one of their colleagues and details of the checks carried out are recorded on a spreadsheet.

### 2.3 *Accuracy of system information*

This objective was fully achieved. Housing rent data is transferred from the HIS to Integra on a weekly basis. A sample of 5 of the weekly interfaces was reviewed and the files were successfully uploaded in all cases, with independent confirmation of the successful upload being provided by the Finance Systems Administration Team (FSAT).

### 2.4 *Rent payments*

This objective was fully achieved. Daily reconciliations are carried out by the HSDT to verify that all rental income received is posted to the HIS and monthly reconciliations are carried out by the Service Finance Team (SFT) to verify that all income has been correctly received and coded in the financial ledger.

A sample of 30 daily income totals for cash payments received (online, PayPoint and Service Centre) was examined. All were verified against the values uploaded to the HIS and to the daily report from Income & Recovery detailing the total income received for that day. The amounts were also checked against the monthly reconciliation carried out by the SFT and all had been recorded correctly in Integra.

A sample of 6 weekly reconciliations carried out to verify that housing benefit totals posted to the HIS correspond with the totals provided by FSAT was examined and no issues were found.

There has been a move from Housing Benefit to Universal Credit (UC) for some housing rent payments and these are received from the DWP both daily and monthly. Reconciliation processes have been introduced to ensure that UC payments received are posted to the HIS and discrepancies investigated and resolved in a timely manner. A sample of 10 daily and 4 monthly payments was examined and no issues were found.

### 2.5 *Rent refunds*

This objective was partially achieved. A sample of 20 rent refunds paid to tenants was examined:

- All had been checked and authorised by an appropriate senior officer
- In 5 cases, there was no evidence that checks had been carried out for outstanding debts (sundry debtors, council tax, overpaid housing benefit etc) prior to the refund being issued. However, it should be noted that while the tenant should be informed of any outstanding debt owed to the Council, credits cannot be automatically offset against other debts owed to the Council without their agreement.
- In 1 case the incorrect amount had been entered on the rent refund mandate signed by the tenant, and in 3 cases no refund amount had been entered. However, in all cases the correct amount had been refunded to the tenant.
- In 3 cases, the rent refund mandate had not been attached to the refund request in Integra which means that potentially the authoriser is approving the refund without seeing all relevant documentation.

See action plan M1.

## 2.6 *Rent arrears and debt write-off*

This objective was substantially achieved. Rent arrears reports are updated weekly and monthly and there are processes in place to ensure that these are reviewed on a regular basis by Area Housing Teams. A sample of 5 tenancies shown with arrears at the end of the 2022/23 financial year was examined and appropriate recovery action had been taken and recorded in the HIS in all cases.

The total value of current tenant rent arrears is reported to the Housing & Property Committee as part of the Housing Performance Report. Former tenant arrears are included within a more detailed report which is available to Members in the Ward Reporting section of the Members Intranet. However, when the Intranet was updated to the new SharePoint version, the link to Ward Reporting was removed from the Members Intranet but can still be found by using the A-Z. The Housing Policy Officer has contacted Member Services regarding this and is awaiting a response (see action plan L1).

Two rent arrears write-off exercises were carried out in 2022/23 (30/06/22 and 28/01/23). The write-off from January 2023 was selected for review to confirm that it had been appropriately authorised. The Scheme of Delegation states that irrecoverable debt write-offs should be authorised by:

- Up to £1000 – Relevant Revenues Managers
- Up to £5000 – Head of Revenues and Business Support.

The sampled write-off had been authorised as follows:

- Up to £1000 - Service Lead - Housing Policy and Performance
- Up to £5000 – Head of Housing and Property Maintenance.

This is considered acceptable as rent arrear debt sits within the Housing Revenue Account (see action plan L2).

## 3. **Conclusion**

- 3.1 There are established systems in place for the collection of housing rental income and comprehensive reconciliation processes which ensure that information is accurately recorded on the HIS and Integra. The arrangements in place for the management of housing debt allow for the prompt follow-up of rent arrears. The issues identified in the audit have resulted in 1 medium and 2 low priority recommendations.

#### 4. Action Plan

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
M1	Medium	<p>From a sample of 20 rent refunds examined:</p> <ul style="list-style-type: none"> <li>In 5 cases, there was no evidence that checks had been carried out for outstanding debts</li> <li>In 1 case the incorrect amount had been entered on the rent refund mandate, and in 3 cases no refund amount had been entered</li> <li>In 3 cases, the rent refund mandate had not been uploaded to Integra.</li> </ul>	<p>An instruction should be issued to Area Housing Teams of the requirement to comply with the relevant guidance and:</p> <ul style="list-style-type: none"> <li>Complete a Request for Rent Credit Refund form to evidence that checks had been carried out for outstanding debts</li> <li>Ensure that the correct refund amount is entered on the rent refund mandate</li> <li>Attach all relevant documentation to the refund request in Integra.</li> </ul>	<p>A communication was sent to all rent users on 9<sup>th</sup> May 2023 reminding them of the requirements for rent refunds and included the link to the guidance document for rent refunds.</p>	Housing Policy Officer	Completed
L1	Low	<p>Information on former tenant arrears is available to Members in the Ward Reporting section of the Members Intranet. However, since the move to the new Staff Connections site, this is no longer as visible and can only be found by using the A-Z. The Housing Policy Officer has contacted Member Services regarding this.</p>	<p>The Housing Policy Officer should continue to investigate this matter with Member Services and establish if this information is still required by Members and if so, the best mechanism to deliver it i.e., continue to provide through Ward Reporting or a summary provided to Housing &amp; Property Committee as part of the Housing Performance Report.</p>	<p>Officers from the Performance &amp; Governance Service will explore options with the Property &amp; Housing Service to ensure that this information is readily accessible via the Members Intranet.</p>	Housing Policy Officer with Business Manager, P&G	31/07/23

Ref	Priority	Finding	Recommendation	Management Response	Implementation	
					Responsible Officer	Target Date
L2	Low	The sampled rent arrear write-off had not been authorised in line with the arrangements set out in the Scheme of Delegation. However, the arrangements in place are considered acceptable given that the arrears sit within the Housing Revenue Account.	The Scheme of Delegation should be updated to reflect that authorisation of rent arrear write-off is the responsibility of senior officers within the Housing & Property Service.	A communication was sent to the Head of Corporate Governance. He has subsequently confirmed that this can be considered as part of the annual review of the Scheme of Delegation.	Housing Policy Officer	14/09/23