

# Audit and Corporate Governance Committee



Report of Interim Audit Manager

Author: Craig Pullen

Telephone: 01491 823544 (SODC); 01235 547615 (VWHDC)

Textphone: 18001 01491 823326 (SODC); 18001 01235 540455 (VWHDC)

E-mail: craig.pullen@southandvale.gov.uk

Cabinet member responsible: Councillor David Dodds

Tel: 01844 216794

E-mail: david.dodds@southoxon.gov.uk

To: Audit and Corporate Governance Committee

DATE: 1 July 2014

## Internal audit activity report quarter one 2014/2015

### Recommendation

That members note the content of the report.

### Purpose of report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action has been or will be taken where necessary.

### Background

2. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the councils' objectives. It assists the councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary.
3. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

4. Assurance ratings given by internal audit indicate the following:

**Full Assurance:** There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

**Satisfactory Assurance:** There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

**Limited Assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

**Nil Assurance:** Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

5. Each recommendation is given one of the following risk ratings:

**High Risk:** Fundamental control weakness for senior management action

**Medium Risk:** Other control weakness for local management action

**Low Risk:** Recommended best practice to improve overall control

### Internal Audit Activity

6. Since the last audit and corporate governance committee meeting, the following audits have been completed:

#### Planned Audits

Full Assurance: 4

Satisfactory Assurance: 1

Limited Assurance: 1

Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Cash Office 13/14	Full	1	0	0	0	0	1	1
HR Grievance Procedures 13/14	Full	0	0	0	0	0	0	0
Pro-Active Anti-Fraud Review 13/14	Full	0	0	0	0	0	0	0
Sundry Debtors 13/14	Satisfactory	3	0	0	1	1	2	2

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Treasury Management 13/14	Full	0	0	0	0	0	0	0
Temporary Accommodation 14/15 (Appendix 1)	Limited	9	0	0	3	3	6	6

**Follow Up Reviews**

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
Brown Bins 13/14	Full	1	1	0	0	0
Environmental Health Food & Safety 13/14	Satisfactory	7	5	0	1	1
Health & Safety 13/14	Satisfactory	4	1	0	0	3
Licensing 13/14	Limited	12	6	0	0	6
Post Room 13/14	Satisfactory	8	6	0	0	2
RIPA 13/14	Full	3	1	1	0	1

7. Members of the committee are asked to seek assurance from the internal audit report and/or respective managers that the agreed actions have been or will be undertaken where necessary.
8. A copy of each report has been sent to the appropriate head of service, the relevant strategic director, the section 151 officer and the relevant member portfolio holder. In addition to the above arrangements, reports are now published on the council intranet and committee members are alerted by e-mail when reports are published.
9. Internal audit continues to carry out a six month follow up on all non-financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

## **Outstanding Recommendations**

10. From May 2014, a new initiative has been introduced whereby internal audit monitors all audits from 2010/11 onwards for which there are still outstanding recommendations. Schedules were sent to all appropriate Heads of Service and Service Managers in June 2014 to provide an up to date position for each recommendation. Internal Audit will then undertake sample checks on the reported positions to ensure that they are accurate. An updated schedule will be provided at the meeting.

## **Financial Implications**

11. There are no financial implications attached to this report.

## **Legal Implications**

12. None.

## **Risks**

13. Identification of risk is an integral part of all audits.

CRAIG PULLEN  
INTERIM AUDIT MANAGER

## TEMPORARY ACCOMMODATION 2014/2015

### 1. INTRODUCTION

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to temporary accommodation, including rent in advance and rent deposit bonds. The audit has been undertaken in accordance with the 2014/2015 audit plan agreed with the audit and corporate governance committee of South Oxfordshire District Council (SODC). The audit has a priority score of 14. The audit approach is provided in the audit framework in Appendix 1.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- there are suitable strategies, policies and procedures supporting temporary accommodation arrangements, rent in advance and rent deposit schemes.
  - temporary accommodation is appropriately managed in accordance with legislation and agreed processes with decisions appropriately made, documented and authorised.
  - there are appropriate arrangements in place for the rent in advance and rent deposit schemes.
  - rent accounts are suitably maintained and regularly reviewed.
  - income is appropriately processed and reconciled.
  - arrears are appropriately monitored and managed.
  - temporary accommodation and rent accounting is accurately reported.

### 2. BACKGROUND

- 2.1 Procedures and processes relating to temporary accommodation are the responsibility of the housing needs team as the council is required to deal with homeless persons (as covered in parts VI and VII of the 1996 Housing Act and the Homelessness Act 2002).
- 2.2 The Abritas system is a software package used by housing to record tenants' details in temporary accommodation. The system currently does not provide an accounting function therefore rent accounts are recorded on Agresso, via the sundry debtor system.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 Temporary accommodation was last subject to an internal audit review in June 2009 and six recommendations were raised. A satisfactory assurance opinion was issued. In 2011/2012, the head of health & housing requested an ad-hoc review of housing debt management to be undertaken, which was undertaken in June 2011 and five recommendations were made. A satisfactory assurance opinion was given.
- 3.2 Of the 11 recommendations, five have been implemented and six are no longer applicable and have been superseded with the findings made in the current audit review. No recommendations have been restated as a result of our work in this area.

### 4. 2014/2015 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Nine recommendations have been raised in this review. Three medium risk and six low risk.

**5. MAIN FINDINGS**

**5.1 Strategy, policies and procedures**

5.1.1 Internal audit established that a homelessness strategy is currently not in place. The strategy is currently in the service plan to be undertaken in 2014/2015 and a consultant is in place to undertake the development of the strategy.

5.1.2 Internal audit established that policies and procedures are in place and available to all relevant staff via the network drive. Having reviewed the policies and procedures, internal audit found that they are in line with legislation, but require updating and are not version controlled. Two recommendations have been made as a result of our work in this area (Recs 1 & 2).

**5.2 Temporary accommodation in accordance with legislation**

5.2.1 Internal audit established that the process for reviewing an applicants' homeless status is documented and in place. Internal audit reviewed a sample of 10 homeless applications and was satisfied all applicants had a priority needs decision made. Internal audit noted that all homeless applicants had an account on the Abritas system, but found that not all supporting documentation was attached to their account.

5.2.2 Internal audit established that temporary tenants have limited rights as they have a licensing agreement with the council. Internal audit noted that legislation is in place on giving tenants, including temporary tenants, rights on suitable living standards on accommodation. From the 10 homeless applicants selected, internal audit was satisfied with the accommodation standards given. One recommendation has been made as a result of our work in this area (Rec 3).

**5.3 Rent in advance and rent deposit bonds**

5.3.1 Internal audit established that an appropriate process is in place for accepting rent in advance from tenants. Internal audit reviewed a sample of 10 tenants and established that all 10 tenants met the criteria for obtaining a rent in advance and rent deposit bond. All tenants signed the rent in advance repayment form, but found that the form did not state payment can be accepted via telephone. All tenants have a folder set up with all correspondences on the housing needs' network drive.

5.3.2 Internal audit found that an appropriate process is in place for accepting rent deposit bond tenants. Internal audit reviewed a sample of 10 tenants and established that all 10 tenants met the criteria for obtaining rent deposit bonds. All tenants signed the deposit bond agreement, but found that the agreement states Vale of White Horse District Council not South Oxfordshire District Council. All tenants have a folder set up with all correspondences on the housing needs' network drive. Two recommendations have been made as a result of our work in this area (Recs 4 & 5).

**5.4 Rent accounts**

5.4.1 Internal audit established that homeless applicants' details are appropriately recorded onto the Abritas system, but rent accounting is raised via the Agresso system. Internal audit noted that VWHDC already have and use a rent accounting module on the Abritas system, which would be beneficial for SODC as the current process is time consuming. Internal audit reviewed 10 temporary tenants and established that seven tenants were incorrectly charged. Three recommendations have been made as a result of our work in this area (Recs 6, 7 & 8).

**5.5 Arrears**

5.5.1 Internal audit established that the debt owed is manageable, but found that some debt would be difficult to recover due to no forwarding address. Internal audit established

that the aged debt analysis report is showing aged debts of £9,195.80 for temporary accommodation, which is monitored and reported appropriately. Having reviewed the records kept by the housing needs team, internal audit established that some of debt needs reviewing to establish if write off is required or it is passed over to legal services for recovery. One recommendation has been made as a result of our work in this area (Rec 9).

### 5.6 **Performance reporting**

- 5.6.1 Internal audit established that performance points are in place and reported to the Strategic Management Board and Cabinet on a monthly basis. Internal audit noted that the P1E is required to be submitted to the Department for Communities and Local Government on a quarterly basis. Internal audit is satisfied with the information submitted as the report is automatically produced from the Abritas system. No recommendations have been made as a result of our work in this area.

**OBSERVATIONS AND RECOMMENDATIONS**

**STRATEGIES, POLICIES AND PROCEDURES**

**1. Homelessness strategy**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The council has in place an up-to-date &amp; comprehensive homelessness strategy in place.</p> <p><u>Findings</u> Internal audit established that currently a homelessness strategy is not in place as the last strategy expired in 2013.</p> <p><u>Risk</u> If a homelessness strategy is not in place, there is a risk of officer not knowing the strategy on dealing with homeless cases.</p>	<p>A homelessness strategy should be in place as it is a requirement of the Homelessness Act 2002.</p>	<p>Staff Officer</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> Completion of the Homelessness Strategy is an objective in the current service plan. A project plan is in progress to complete the Strategy by October 2014</p> <p>Management response: Housing Needs Manager</p>		<p>October 2014</p>

**2. Policies & procedures**

**(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All policies and procedures relating to temporary accommodation, rent deposit bonds &amp; rent in advance are up-to-date and version controlled.</p> <p><u>Findings</u> Internal audit reviewed the policies and procedures, and established that they were not up-to-date or version controlled.</p> <p><u>Risk</u> If policies and procedures are not up-to-date, there is a risk of officers not working in compliance with current housing legislation.</p>	<p>All policies and procedures should be reviewed, updated and version controlled.</p>	<p>Staff Officer</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> A review and updating of all TA policies and procedures is included within the DPR for the Lettings Team Leader Management response: Housing Needs Manager</p>		<p>December 2014 (fully implemented)</p>

**TEMPORARY ACCOMMODATION IN ACCORDANCE WITH LEGISLATION**

**3. Supporting documentations**

**(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All supporting documentations are attached to the tenant's account on the Abrisas system.</p> <p><u>Findings</u> Whilst reviewing temporary accommodation tenants, internal audit established that not all supporting documentation was scanned onto the system and attached to the tenant's account on the Abrisas system.</p> <p><u>Risk</u> If the supporting documentations are not attached to the relevant tenant's account on the Abrisas system, there is a risk of not knowing if all documents have been received.</p>	<p>All supporting documents should be attached to the tenant's account on the Abrisas system.</p>	<p>Staff Officer</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> All staff involved in TA will be reminded and monitored to ensure that all supporting documents are attached to tenant's accounts on the CRM.</p> <p>Management response: Housing Needs Manager</p>		<p>20 June 2014</p>

**RENT IN ADVANCE AND RENT DEPOSIT BONDS**

**4. Rent in advance repayment form**

**(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The rent in advance repayment form is up-to-date to include that payment can be made over the telephone.</p> <p><u>Findings</u> Internal audit established that the rent in advance repayment form does not state that payments can be received over the telephone.</p> <p>The housing needs manager stated that he has had a meeting with the finance &amp; systems manager regarding setting up accepting telephone. The housing needs manager is to have staff set up on the Icon Webpay System so that staff can accept payments over the telephone.</p> <p><u>Risk</u></p>	<p>After the staff have been set up to the Icon system, the rent in advance repayment form should be updated, so that tenants are aware that repayments can be made via the telephone.</p>	<p>Staff Officer</p>

<p>If the rent in advance repayment form does not include payment over the telephone, there is a risk that tenants' are not given a valid payment option.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed</b> Staff are now set up on the South ICON system. They will be able to take payments shortly and the RIA form will then be amended accordingly.</p>		<p>4 July 2014</p>
<p>Management response: Housing Needs Manager</p>		

**5. Rent deposit bond correspondences**

**(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Both the tenant's deposit bond agreement &amp; the Landlord's terms &amp; conditions agreement correctly state South Oxfordshire District Council.</p> <p><u>Findings</u> Having reviewed both the tenant's deposit bond agreement &amp; the Landlord's terms &amp; conditions agreement, internal audit established that they both require reviewing &amp; updating, as both documents state Vale of White Horse District Council in the terms &amp; conditions.</p> <p><u>Risk</u> If both the tenant's deposit bond agreement &amp; the Landlord's terms &amp; conditions agreement are not appropriate, there is a risk of the agreements not being valid.</p>	<p>Both the tenant's deposit bond agreement and the landlord's terms and conditions should be reviewed and updated to ensure that the correspondences relate to South Oxfordshire District Council.</p>	<p>Staff Officer</p>
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed</b> Both the SODC tenant's deposit bond agreement and the landlord t&amp;c's agreement have now been corrected.</p>		<p>16 June 2014</p>
<p>Management response: Housing Needs Manager</p>		

**RENT ACCOUNTS**

**6. Rent accounting system**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Abitas rent accounting module is used to record all night charge payments.</p> <p><u>Findings</u> Internal audit established that at SODC, the housing assistant uses the Agresso system to raise invoices for nightly charge</p>	<p>Consideration should be given for using the rent accounting module on the Abritas system to record all nightly charge payments.</p>	<p>Staff Officer</p>

<p>payments, while at VVHDC it is all done through the Abrisas rent accounting system. Having reviewed both systems, internal audit established that raising invoices on the Agresso system is more time consuming than using the Abrisas system.</p> <p><u>Risk</u> If the Abrisas rent accounting system is not used for nightly charge payments, there is a risk of officer time being wasted.</p>		
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in Principle</b> Following a meeting with Abrisas on 21 May 2014, they will be providing a quote for an SODC rent module.</p> <p>Management response: Housing Needs Manager</p>		TBC – dependent upon cost.

**7. Housing benefits details**

**(Low Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> The housing assistant receives all housing benefit details for tenants.</p> <p><u>Findings</u> Internal audit established that the housing assistant does not receive the housing benefits' details. All the details go to the lettings officer who would notify the housing assistant what rate to charge the tenants.</p> <p>Internal audit reviewed a sample of 10 nightly charged tenants and found that does not work as seven tenants were incorrectly charged.</p> <p><u>Risk</u> If the housing assistant does not receive the housing benefit details', there is a risk of tenants continuing to be charged incorrectly.</p>	<p>The housing assistant should obtain the housing benefits details, so that the invoices can be appropriately raised.</p>	<p>Staff Officer</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> The system of invoicing tenants is to be changed. The HB notifications will be sent to the Lettings Assistant who will also process the invoices.</p> <p>Management response: Housing Needs Manager</p>		11 July 2014

**8. Tenant's nightly charge**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u></p>	All tenants should be charged	Staff Officer

<p>All tenants' are charged appropriately.</p> <p><u>Findings</u> Internal audit reviewed a sample of 10 nightly charged tenants and found seven tenants were incorrectly charged.</p> <p><u>Risk</u> If the tenants are charged incorrectly, there is a risk that the council is not recouping all of their money.</p>	<p>the appropriate amount of service charge.</p>	
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed</b> The system of invoicing tenants is to be changed. The HB notifications will be sent to the Lettings Assistant who will also process the invoices.</p> <p>Management response: Housing Needs Manager</p>		<p>11 July 2014</p>

**ARREARS**

**9. Decision on debts**

**(Low Risk)**

<p><b>Rationale</b></p>	<p><b>Recommendation</b></p>	<p><b>Responsibility</b></p>
<p><u>Best Practice</u> All tenants' debts are dealt with appropriately.</p> <p><u>Findings</u> Internal audit reviewed the TA rent accounts spreadsheet and established that forwarding addresses are not known for some former tenants with outstanding debt, and also some debts are for insufficient amounts to pursue.</p> <p><u>Risk</u> If action is not taken on tenant's debt, there is a risk of debts being forgotten.</p>	<p>A review is undertaken of accounts still in debt and a decision is made to either write the debts off or sent to legal for recovery.</p>	<p>Staff Officer</p>
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed</b> All debtor rent accounts will be reviewed and recommendations to write off or recover will take place at every monthly TA meetings</p> <p>Management response: Housing Needs Manager</p>		<p>20 June 2014</p>