

Final Internal Audit Report

Housing Rents and Accounting

June 2019

Distribution: Executive Director of Gateway, Strategy & Engagement (Final only)
 Director of Housing Assessment and Solutions
 Head of Housing Solutions
 Head of Income and Lettings
 Accountancy Manager
 Business Systems Manager

| Assurance Level | Identified Issues | |
|--------------------------|-------------------|---|
| Limited Assurance | Priority 1 | 1 |
| | Priority 2 | 2 |
| | Priority 3 | 0 |

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 The Council has a housing stock of approximately 15,000 properties and rent is collected by the three District Offices (North, East and South/Central) with a central control team. Rent is managed using the Northgate Open Housing Management System (OHMS).
- 1.2 This audit was undertaken as part of the agreed Internal Audit Plan for 2018/19

2. Key Issues

Priority 1 Issues

There were currently 599 OHMS accounts each more than £1,000 in credit at the time of audit totalling £1,417,482, **(Issue 1)**.

Priority 2 Issues

Whilst the sample checking report obtained at the time of audit had been signed by the Operational Manager, it was not evidenced to have been signed by the Housing Rent Accountant, **(Issue 2)**.

Eight of the nine procedure documents were not evidenced to have been reviewed in the last two years, **(Issue 3)**.

There were no Priority 3 issues.

3. Actions and Key Findings/Rationale

| Control Area 1: Refunds | | Detailed Finding/Rationale – Issue 1 |
|---|--|--|
| Priority | Action Proposed by Management | |
| 1 | <p>A report will be sent to the Head of Service, Operational Managers and Housing Benefit section listing all the credits on OHMS above £1k on a monthly basis. This report will include the Former and Current accounts of tenants to see the viability of transferring the credits from Former to Current accounts. On review, there have been instances where tenants are paying against former rather than current accounts so this will need to be reviewed and tenants advised accordingly. Some of the credits on accounts relate to B&B accounts so these will need to be investigated further by the ESM / EIM as they could relate to HB payments and may need to be refunded. We will liaise with the Corporate Anti-Fraud team if they are willing to investigate any accounts with excessively large credit balances for further investigation.</p> | <p>The Council's social housing tenants are required to pay a weekly rent. Where overpayments arise (which may, for example, occur where rent has been credited to an incorrect account, where a genuine overpayment has occurred or where an attempt at money laundering has been made), these are required to be investigated so that appropriate action can be taken and to help ensure that tenants do not suffer undue hardship.</p> <p>A report detailing all OHMs accounts in credit over £1,000 was generated in February 2019, which included 599 different OHMS accounts with a combined overpayment of £1,417,482. Examination of this report noted that 320 (£719,522) of the accounts were current tenants, while 279 (£697,960) were former tenant accounts, with the largest overpayment being £19,648.37. These accounts included 'Hostel', 'Garage license', 'Guaranteed rent scheme', 'Flexible Tenancy 5 Years', 'Secure', etc.</p> <p>Where housing rent accounts exist with significant credit, there are a number of different risks, including the Council chasing tenants for outstanding debts when they have paid an incorrect account and tenants suffering financial hardship where they have overpaid in error.</p> |
| Responsible officer | Deadline | |
| Income Control Manager / Operational Managers/ Enablement Service | Monthly | |

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| | | |
|--|--|--|
| Manager/Enablement Intervention Manager | | |
|--|--|--|

| Control Area 2: Manual Adjustments | | Detailed Finding/Rationale – Issue 2 |
|---|---|--|
| Priority | Action Proposed by Management | |
| 2 | <p>The Rent Accountant post was deleted in 2017 so this part of the process was temporarily put on hold. A new post has been created so the manual adjustments will now be sent to the Income Control Manager for 10% sample testing on a monthly basis. When the ICM reviews the adjustments and is satisfied with the workings, they will be sent back to the OM's to action and will be signed off by the ICM.</p> | <p>To help ensure that manual adjustments are correct, the respective Operational Managers evidence their check and authorisation of each adjustment and send the report to the Housing Rent Accountant, who sample checks the adjustments and signs off the report.</p> <p>Whilst the manual adjustment reports sampled (for May and June 2018 CENSO for July, August and September 2018 East) had been signed by the respective Operational Managers, these were not evidenced to have been checked and signed by the Housing Rent Accountant.</p> <p>Where manual adjustments are not checked as required, there is a risk that incorrect or inappropriate manual adjustments are not identified.</p> |
| Responsible officer | Deadline | |
| Operational Managers / Housing Income Control Manager | July 2019 | |

Control Area 4: Regulatory, Organisational and Management Requirements

| Priority | | Action Proposed by Management | Detailed Finding/Rationale – Issue 3 |
|-----------------|--|--------------------------------------|---|
| 2 | The Operational Manager is reviewing this and will amend / update the procedures on SharePoint. This will be available to all staff members to view. | | <p>To help ensure that staff adopt the most efficient and effective working practices and that current legislation is complied with, procedure notes should be in place and made available for staff via the SharePoint Library. These notes should also be periodically reviewed to reflect any changes in legislation or management requirements.</p> <p>Of the nine procedure documents available for inspection on the Service's SharePoint Library, only one was evidenced to have been reviewed within the last year, namely in January 2019. The second most recently reviewed document was from January 2017, and the oldest document review available on SharePoint dating back to June 2008, confirming that these documents were not subject to regular review.</p> <p>Where the procedure documents are not subject to regular review, there is a risk that staff are not adhering to the most up-to-date management or legislative requirements.</p> |
| | Responsible officer | Deadline | |
| | Operational Manager | August 2019 | |

TERMS OF REFERENCE

Housing Rents and Accounting (Reduced Scope)

1. INTRODUCTION

- 1.1 The Council has a housing stock of approximately 15,000 properties and rent is collected by the three District Offices (North, East and South/Central) with a central control team. Rent is managed using the Northgate Open Housing Management System (OHMS).
- 1.2 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





- 3.1 It should be noted that, whilst temporary accommodation records are also held on OHMS, these were not included in the scope of the audit. The audit focused solely on rental derived from the Council's housing stock.
- 3.2 This Audit, where appropriate, in the below areas incorporated compliance with the relevant statutes.
- 3.3 This audit examined the Council's arrangements for the following areas relating to Housing Rents and Accounting and a number of issues were raised:

| Control Areas/Risks | Identified Issues | | |
|--|----------------------|------------------------|---------------------|
| | Priority 1 (High) | Priority 2 (Medium) | Priority 3 (Low) |
| Refunds | 1 | 0 | 0 |
| Manual Adjustments | 0 | 1 | 0 |
| Reconciliations with General Ledger | 0 | 0 | 0 |
| Regulatory, Organisational and Management Requirements | 0 | 1 | 0 |

DEFINITIONS FOR AUDIT OPINIONS AND IDENTIFIED ISSUES

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

| | | |
|---|-----------------------|---|
|  | Full Assurance | There is a sound system of control designed to achieve the system objectives and the controls are consistently applied. |
|  | Substantial Assurance | While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk. |
|  | Limited Assurance | There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk. |
|  | No Assurance | Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage. |

Priorities assigned to issues are based on the following criteria:

| | |
|------------------------|---|
| Priority 1 (High) | Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk. |
| Priority 2 (Medium) | Control weakness that represent an exposure to risk and require timely action. |
| Priority 3 (Low) | Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice. |

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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