
AGENDA ITEM: 8 Page nos. 51-56

Meeting	Audit Committee
Date	5 December 2007
Subject	Internal Audit Annual Report 2006-7 – Rent Deposit Scheme
Report of	Head of Housing and Head of Internal Audit and Ethical Governance
Summary	The Committee is asked to note the update on implementation of agreed actions to mitigate the risks identified in the Internal Audit of the Rent Deposit Scheme.

Officer Contributors	Nigel Hamilton, Head of Housing Michael Bradley, Head of Internal Audit and Ethical Governance
Status (public or exempt)	Public
Wards affected	N/A
Enclosures	None
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/A
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1. RECOMMENDATIONS

- 1.1 That the Committee note the contents of the report and the actions being carried out to address deficiencies.**
- 1.2 That the Committee consider whether there are any areas on which they require additional action.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The Audit Committee on 20 September 2007, resolved that ‘a further report on the implementation of the actions agreed by management during the follow up audit of the Rent Deposit Scheme be submitted by the Head of Housing and Head of Internal Audit and Ethical Governance for the next meeting to be held on 5 December 2007’.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Continuous improvement is necessary for us to deliver our priorities. We must improve how we work and the infrastructure we work with. Our corporate services, including finance, human resources and corporate governance, play a significant part in helping us achieve our vision for:
“A smaller entity with a smaller but more efficient corporate support function and a greater concentration of resources on outcomes.”
- 3.2 We are committed to continually improving how we work to provide community leadership, community choice and higher quality services at the lowest possible price (Corporate Plan 2007/08 – 2010/11).

4. RISK MANAGEMENT ISSUES

- 4.1 Without effective mitigating action to address the risks identified in the audits of this area, the objectives of the Rent Deposit Scheme may not be met efficiently, effectively or economically.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is an overriding principle that services provided to the whole community represent value for money in terms of quality, efficiency and effectiveness. This supports the Council’s obligations in meeting its public duties under Equalities legislation.
- 5.2 While there are not routine equalities monitoring of the RDS, detailed equalities data about the homelessness service is collected and reviewed by the Housing Equalities Group. It is evident that homelessness is experienced disproportionately by members of BME groups and vulnerable people. It is also apparent from the data and research at local and national level that temporary accommodation is associated with adverse outcomes for the well-being of families in general and the health, educational attainment and development of children in particular. Policies which prevent homelessness and admission to temporary accommodation are therefore of particular benefit to BME groups, children and vulnerable people. In 2006/07 the RDS assisted 434 such households either to move out of TA or by providing a housing solution before they became homeless.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 6.1 None directly as a result of this report but it is for management to determine whether addressing any of the risks identified by internal audit reports will require additional resources.

7. LEGAL ISSUES

- 7.1 None.

8. CONSTITUTIONAL POWERS

- 8.1 Constitution Part 3 Paragraph 2 details the functions of the Audit Committee including "To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements".

9. BACKGROUND INFORMATION

Introduction

- 9.1 The objective of the Rent Deposit scheme is to prevent homelessness and to reduce the overall use of more expensive temporary accommodation by assisting clients in housing need to move into the private sector in a cost effective manner. This is achieved through the payment of the deposit on a property and a rent advance payment equal to the first month's rent.
- 9.2 Audit reviewed this area in 2003-04 and concluded that no assurance could be provided that the service would achieve its objectives. There was no significant improvement by 2005-06 when our follow up review concluded that the risk exposure had increased from medium to high.
- 9.3 A further audit review in 2006/7 also concluded that no assurance could be provided that the service would achieve its objectives. The follow up review in August 2007 confirmed no significant progress in management action toward mitigation of the reported risks. Audit reported to the Audit Committee in September 2007 no change to the assurance already provided.
- 9.4 The service provided a further revised action plan to audit on 12 November 2007 which included details of progress on implementation of agreed actions. Audit had been providing advice and guidance on the actions being taken in the development of this action plan.
- 9.5 Internal Audit then conducted further independent testing to verify the adequacy and effectiveness of the action taken to mitigate the risks.
- 9.6 As a result of this testing we can report that, of the 10 reported risks, two were fully mitigated. Implementation of three risks is on track for completion in November 2007. Five risks were partly mitigated.

9.7 Our assessment (of the assurance that management can have that objectives will be met) can be moved from 'no' to 'limited' assurance. We are satisfied that there is a much fuller understanding of the risks and processes required to mitigate them. Audit and service management have agreed on the importance of concluding the implementation of the outstanding actions

9.8 The two 'priority 1' risks that remain partly mitigated are:

- Financial loss to the Council due to:
 - lack of an effective process for debt recovery;
 - lack of an initial reconciliation from the Rent Deposit financial records to SAP (and, in the past, other accounting records) to identify the status of debts / receivables and then subsequent quarterly reconciliations, and
 - lack of timely identification and recovery of debt.
- Management may be unable to assess whether the scheme has met its objectives in the absence of initial reconciliations and effective periodic monitoring.

One priority 1 risk that is on target for completion during November 2007 is:

- Inappropriate dealings with the public causing a loss to the council in the absence of a service specific code of conduct for declaration of interests.

RDS Incentive Scheme

9.9 During the first four months of the financial year 2007-08, the Rent Deposit Scheme was run in parallel alongside a pilot scheme which offered landlords an incentive, equal to the amount of deposit, which was not subject to repayment or recovery. This was in response to this practice being increasingly adopted by neighbouring boroughs who have been effectively out-bidding Barnet in securing private sector accommodation in this borough for their clients. The scheme was run as a pilot on an entirely temporary basis using grant secured from the department of Communities and Local Government for the purposes of piloting initiatives to tackle homelessness. No core Barnet funding was involved, although a total of £99,679 (for 110 tenancies) was disbursed in the form of Rent Deposit incentives from the CLG grant. The pilot was terminated when this grant was spent and is currently being evaluated. While highly successful in delivering service outcomes such a scheme can only be seen to offer value for money, and possibly be funded by a virement from the TA budget, if it can be demonstrated that reduced expenditure on TA can be directly linked to the increased take up of private sector options delivered by the scheme. Service management and audit are discussing audit's role in the evaluation process and will include a formal review in the audit plan should the scheme re-start.

SAFFRON replacement

9.10 A project has been initiated to consider a replacement for the SAFFRON system. Many of the difficulties identified by audit arise from missing functionality for this purpose in that system. As a result, implementation of actions to mitigate the risk of loss of efficiency and effectiveness in service delivery has been delayed. However a modern fit-for-purpose IT system will be the most effective way of mitigating the outstanding risks. Audit will be providing advice and guidance on the governance and risk management arrangements for the delivery of this project.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal – JEL

CFO – HG