

**AGENDA ITEM: 10**

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| Meeting        | Audit Committee  |
| Date           | 27 February 2008   |
| <b>Subject</b> | <b>Internal Audit Annual Report 2006-7 – Rent Deposit Scheme</b>   |
| Report of      | Deputy Chief Executive and Executive Director for Environment and Regeneration   |
| 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. |

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| Officer Contributors   | Brian Reynolds, DCE & Executive Director for Environment & Regeneration<br>Hem Savla, Audit Manager, Internal Audit and Ethical Governance |
| Status (public or exempt)                                    | Public   |
| Wards affected   | N/A  |
| Enclosures   | Appendix A: Follow up Review   |
| For decision by  | Audit Committee  |
| Function of  | Council  |
| Reason for urgency / exemption from call-in (if appropriate) | N/A  |

Contact for further information: Hem Savla, Audit Manager, Internal Audit and Ethical Governance, 020 8359 7154.

## **1. RECOMMENDATIONS**

- 1.1 That the Committee note the contents of the report and the actions taken to address previously reported 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 20th 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’.
- 2.2 The Audit Committee on 5th December 2007 resolved that a further update report on the implementation of the actions agreed by management be submitted by the Head of Housing and Head of Internal Audit and Ethical Governance for the next meeting to be held on 27 February 2008.

## **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 is no routine equalities monitoring of the Rent Deposit Scheme, 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 Black and Minority Ethnic 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 Black and Minority Ethnic groups, children and vulnerable people.

In 2006/07 the Rent Deposit Scheme 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 The Audit Service 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. In December 2007, Audit reported that sufficient actions had been implemented to allow the assurance level to be raised to 'medium'. As detailed above the Committee requested a further update report.
- 9.4 The service provided a further revised action plan to audit on 24 January 2008 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, 7 were fully mitigated. Implementation of 3 risks is on track for completion. A copy of the audit report is attached to this report (appendix A).

- 9.7 Our assessment (of the assurance that management can have that objectives will be met) can be moved to 'satisfactory' assurance. We are satisfied that there is a much fuller understanding of the risks and processes required to mitigate them.
- 9.8 The Deputy Chief Executive and Executive Director for Environment and Regeneration will attend the meeting to address any questions.

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 Any person wishing to view any of the background papers should telephone 020 8359 7154.

Legal – JEL  
CFO – CM

## Appendix A - Follow Up Review Rent Deposit Scheme

| Risk   | Implem. Date | Resp. Officer               | Current Status   |
|--|--------------|-----------------------------|--|
| <p><b>Risk 1</b> <span style="float: right;"><b>Priority 1</b></span></p> <p><b>Password and systems access permissions</b></p> <p>Fraud or irregularity may not be prevented or detected.</p>   | NA           | NA                          | <b>Implemented</b>   |
| <p><b>Risk 2</b> <span style="float: right;"><b>Priority 1</b></span></p> <p><b>Database integrity</b></p> <p><b>Incorrect information is available for decision making purposes and allocation of housing.</b></p>                                    | October 2007 | Senior PSTS                 | <b>Implemented</b>   |
| <p><b>Risk 3</b> <span style="float: right;"><b>Priority 2</b></span></p> <p><b>SAFFRON Module</b></p> <p><b>Loss of efficiency in service delivery from shortcomings in the system, replication of data and continuing with manual processes.</b></p> | October 2007 | Advice and Options Manager  | <p><b>Implementation on Track</b></p> <p>Funding for the Saffron replacement project has been identified and agreed by CAG. This has been included in the 08/09 capital programme and budget to be presented to Council on March 3<sup>rd</sup>. Procurement is proceeding in accordance with council procedures and European regulations, as advised by the corporate procurement team.</p> <p>Anticipated contract award date – October 2008</p> |
| <p><b>Risk 4</b> <span style="float: right;"><b>Priority 1</b></span></p> <p><b>Recovery and reconciliation</b></p> <p><b>Financial loss to the Council</b></p>  | October 2007 | Housing Options Team Leader | <p><b>Implementation on track – effective procedures completed and approved, reconciliation using agreed procedures proceeding to programme</b></p> <p><b>1. Reconciliation:</b></p>   |

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| <p><b>resulting from lack of effective processes for recovery of debts.</b></p> |  |  | <p>Procedures for reconciliation of payments and refunds have been developed and approved. Also achieved:</p> <ul style="list-style-type: none"> <li>- for the Financial year 2007-08 (up to 31 December 2007) Reconciliation of refunds and recoveries for this period is in progress. Issues with 20 cases have been identified which are being individually resolved in line with the agreed procedures.</li> <li>- For the period of 10+ years up to 31<sup>st</sup> March 2007- Reconciliation for financial years 1994-95 to 2002-03 only has commenced and will be carried though as planned. However priority has been given to the most recent cases.</li> <li>- Information gaps are being identified and efforts to resolve being undertaken.</li> </ul> <p><u>Audit Advice</u></p> <p>Going forward, in view of the volume and complexity of entries, consider building in management review for the initial period, at least as a minimum.</p> <p><b>2. Recovery:</b></p> <p>Invoicing and recovery procedures have been developed and agreed. Relevant training has been provided to the Sr. PSTO to raise invoices on the SAP financial system. Priority has been given to recovery relating to cases since 31 March 2007, while older cases (£286K, 346 cases according to service records as at Nov 07) will follow as part of the programme of work. Occupancy checks under way (but not yet completed) for tenancies expected to end during the financial year 2007-08 to identify additional amounts to be invoiced. Since Nov 2007, £3214 in repayments due has been recovered.</p> <p><b>3. Housing Benefits: reconciliation and recovery</b></p> <p>Significant progress in reconciliation achieved for the financial years 2006-07 and 2007-08. However, early indications from a small sample indicate that there are discrepancies between HB records and service records. This reconciliation relates to the proper accounting of monies received from DWP in HB subsidy rather than money yet to</p> |
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|  |  |  | temps or trainee interns on work experience programmes. There are different issues which local management are seeking to resolve around exactly how this works for staff who are not council employees. |
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**Previous Assurance :**    **Limited**  
**Current Assurance :**    **Satisfactory**