



**Internal Audit Report
2016-2017**

**Rent in Advance
and Deposit Bonds**

**Ann Kirk
Auditor
June 2016**

Contents

Audit: Rent In Advance and Deposit Bonds
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1 Introduction

- 1.1 The Council has a statutory duty under the Homelessness Act 2002 to work towards preventing homelessness. The Rent in Advance and Deposit Bonds Scheme offers help to residents of Chichester District who are threatened with homelessness and on a low income, or benefit to gain access to the private sector accommodation. In 2011, to better fulfil the council's statutory obligations and improve supply to the private rented sector properties for Chichester District residents, the service set up their own internal private rented sector letting agency, Homefinder.
- 1.2 The principal of the Rent in Advance and Bond Deposit Scheme is that it is self funding; the council have a fund of £35,000 for 2016/17 to be used on this scheme which is re-imbursed with the money collected from recipients at an amount per week determined on their financial situation. The budget for 2015/16 was £35,000, the service paid out £24,752 and £37,602 was received back during the year.
- 1.3 In addition to the amount payable for Rent in Advance the council also provide a Bond Deposit which is accessible by the Landlord/Agent on departure of the tenant if they have incurred damage to their property whilst the tenant has been living in it. Evidence is sought before payment is made and again the tenant is liable to pay this money back into the fund.

2 Scope

- 2.1 The scope of the audit was as follows:-
- To identify and document the processes in place for applicants offered a Rent in Advance and Bond Deposit
 - To confirm controls are in place via walkthrough and testing of the procedures
 - Follow up on previous audit recommendations

3 Findings

- 3.1 Although the service does not have detailed procedure notes they have an excel spreadsheet of information required to be completed and in the order of the process to be undertaken. The Senior Private Sector Officer is aware that more detailed procedures are required for consistency across the service, and is intending to produce these in the form of a process diagram. Loss of data and corruption from excel spreadsheets is a possibility, however the risk of

this has been mitigated by the Senior Private Sector Officer separating the information across different spreadsheets and placing password protections on each of them, this is in addition to the council's back up process.

- 3.2 Qualification assessments to determine eligibility under the scheme are undertaken by the Housing Interventions Officer with the Applicant. Once identified this is communicated to the Senior Private Sector Officer via email. A Homefinder Application form is then completed by the Senior Private Sector Officer and the Applicant; this is then to be countersigned by an officer senior to the one completing the form. Testing found that in all cases this had not been completed but has subsequently been actioned by the Senior Private Sector Officer for future applications.
- 3.3 Finding accommodation is the responsibility of the Applicant, however as mentioned in the introduction the council now have Homefinder, a database of properties that the applicant can choose from if they are unable to find one on their own. The accommodation is not restricted to the Chichester District area and could be anywhere in the country. Once a property has been found, the amount of rent in advance the council will pay is determined on the Local Housing Allowance although discretion is applied on a case by case basis.
- 3.4 If the property is within the Chichester District, the councils Environmental Housing Team will visit the property and ensure compliance with Housing Regulations. A report is produced and any issues are required to be rectified, if there are no problems the application can progress. All reports are sent to the Senior Private Sector Officer but kept on the Environmental Housing Teams Uniform system. Internal Audit's testing found that one out of the four cases tested could not be found, but undertaken as shown by a date on the service's spreadsheet. While this is not a legal requirement the Senior Private Sector Officer has specified that he will now keep a copy of these reports on file for future reference and evidence.
- 3.5 The Applicant is required with the Landlord/Agent and Housing Officer to sign a contract between all parties. All contracts tested had been signed with a contractual date at the top of the contract. Internal Audit suggests that all parties date the contract when signing the document to show a complete audit trail.
- 3.6 At the time of the contract being signed the Senior Private Sector Officer also requires the Applicant to complete a Standing Order Form. Once all documentation has been signed, payment to the Landlord/Agent is requested and in all cases tested, authorisation was provided before monies were released.
- 3.7 The Applicants details are recorded onto the services Wrapp system, which is the services database of applicants and is used as a monitoring system. Information entered includes the name, address and amount of rent to be paid back to the council by the Applicant. Testing found that one individual's contract had been filed before being passed for processing onto Wrapp. Although the quarterly reconciliation would have picked up the omission, please see paragraph 3.10, it was agreed by the Senior Private Sector Officer

that the process needs reviewing to ensure that delays do not happen in the future, and this will be included on the new process flow diagram.

- 3.8 Once processed, a Wrapp Number is provided which is entered onto the Standing Order Form as a reference number against future payments to enable monitoring to take place. The Standing Order Form is then sent to the Bank for repayments to commence.
- 3.9 Payments are monitored by the Business Support Officers on a monthly basis and the debt recovery process is followed when necessary.
- 3.10 A complete reconciliation is undertaken on a quarterly basis by the Business Support Officers. Currently this is not reviewed or signed off by a senior member of staff. However, this is an important control and should be part of any reconciliation.





4 Conclusion

- 4.1 In the main, all controls identified within the processes for awarding and monitoring Rent in Advance and Bond Deposits are working well. However, there are new employees joining the service in the near future and they would benefit from the more comprehensive procedure notes which in turn will ensure that the controls are maintained.


5 Recommendations

- 5.1 An Action Table has been produced, see Appendix 1. In order to prioritise actions required, a traffic light indicator has been used to identify issues raised as follows:
 - Red – Significant issues to be addressed
 - Amber – Important issues to be addressed
 - Green – Minor or no issues to be addressed
- 5.2 Recommendations from the previous audit report have been included within the audit testing and no further actions are required.



6 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
3.1	Procedure notes are produced to ensure consistency and completeness for all staff	Senior Private Sector Officer	 Important (Amber)	Yes	Agreed and is currently being reviewed	August 2016
3.2	The Homefinder Application Form is countersigned by an Officer more senior to the employee completing the form	Senior Private Sector Officer	 Important (Amber)	Yes	Will be actioned immediately, on the next application	July 2016
3.4	All Environmental Housing Reports are retained for evidence	Senior Private Sector Officer	 Minor (Green)	Yes	Already commenced, a folder has been set up to retain these reports	June 2016
3.5	All parties date the contract when signing the document at the bottom	Senior Private Sector Officer	 Minor (Green)	Yes	The three contract templates have been updated to reflect this change	June 2016

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3.10	A formal review process be introduced so that quarterly reconciliations demonstrate they have been reviewed, dated and signed by a senior member of staff.	Senior Private Sector Officer	 Significant (Red)	Yes		July 2016
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Traffic Light Key

Significant Issues to be addressed  Important Issues to be addressed  Minor/No issues to be addressed 