East Lothian Council

REPORT TO: Audit and Governance Committee

MEETING DATE: 12 June 2018

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – Housing Rent Arrears

1 PURPOSE

1.1 To inform the Audit and Governance Committee of the recently issued audit report on Housing Rent Arrears.

2 RECOMMENDATION

2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

3.1 A review of Housing Rent Arrears was undertaken as part of the audit plan for 2017/18.

3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.

3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6   RESOURCE IMPLICATIONS

6.1   Financial - None

6.2   Personnel - None

6.3   Other - None

7   BACKGROUND PAPERS

7.1   None

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DATE	1 June 2018

EAST LOTHIAN COUNCIL – INTERNAL AUDIT
HOUSING RENT ARREARS

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Housing Rent Arrears was undertaken as part of the Audit Plan for 2017/18. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- A clear audit trail exists for each tenancy on the Orchard system including details of the fortnightly rent charge, rent account transactions and any recovery action taken.
- Adequate arrangements are in place for monitoring housing rent arrears – fortnightly reports are provided to the Rent Income Team detailing the rent arrears, the payment method and the movement in the arrears balance for each rent account.
- Adequate arrangements are in place to ensure that reconciliations are carried out between the debt approved for write-off and amounts written off on the Orchard system.

1.3 Areas with Scope for Improvement

- The existing rent arrears procedures require to be reviewed and updated to ensure that clear guidance is provided to staff. *Risk – failure to adopt a consistent approach.*
- In a number of cases, the arrears had arisen at the start of the tenancy – there was a lack of joint working between Housing Officers and Rent Income Officers at the pre-tenancy stage, to ensure that prospective tenants are offered advice and support in order to reduce the risk of rent arrears. *Risk – failure to prevent the build-up of rent arrears.*
- The current process for managing rent arrears requires review – in some cases, delays were noted in progressing to the next stage of the recovery process, resulting in an increase in rent arrears. In addition, there was a lack of explanation on the Orchard system where a decision had been made not to progress to the next stage of the process. *Risk – failure to prevent the build-up of rent arrears.*
- In a number of cases, there was a lack of evidence to confirm that the terms of agreed repayment plans had been confirmed to tenants in writing. *Risk – lack of a clear audit trail.*

1.4 Summary

Our review of Housing Rent Arrears identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager   **June 2018**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that the existing rent management policy is updated to reflect changes in legislation. Management should ensure that the procedures are reviewed and updated to provide clear and concise guidance to staff at each stage of the recovery process.	Medium	Service Manager – Revenues and Welfare Support Rent Income Team Leader	Agreed Agreed		January 2019 October 2018
3.2.2	Management should ensure that clear explanations are recorded on the notes page of the Orchard system where a decision has been made not to progress to the next stage of the recovery process.	Medium	Rent Income Team Leader	Agreed		June 2018
3.3.1	Management should ensure that a one Council approach is adopted for the prevention of rent arrears – both Housing Officers and Rent Income Officers should attend the pre-tenancy meeting.	High	Service Manager – Revenues and Welfare Support / Service Manager – Community Housing and Homelessness	Agreed		August 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3	Management should review the adequacy and effectiveness of the current process for managing rent arrears.	Medium	Rent Income Team Leader	Agreed – the existing processes will be reviewed.		October 2018
3.3.4	Management should ensure that the terms of agreed repayment plans are confirmed in writing to tenants and evidence is retained on file.	Medium	Rent Income Team Leader	Agreed – all repayment plans will be scanned into Civica prior to being sent to the tenants.		June 2018
3.3.5	Management should ensure that appropriate advice, assistance and support (e.g. completing relevant applications for Housing Benefit, Discretionary Housing Payments and Universal Credit) are offered to prospective tenants at the pre-tenancy meeting.	Medium	Rent Income Team Leader	Agreed		August 2018
	Management should ensure that adequate arrangements are in place for checking the validity and status of Housing Benefit applications – evidence of checks should be retained on file.			Agreed		June 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.8	Management should review the arrangements in place for recovering all outstanding legal costs and expenses relating to rent arrears.	Medium	Rent Income Team Leader	Agreed – a review of sub accounts will be undertaken.		September 2018
3.4.2	Management should ensure that bad debt write-offs are reported timeously to the Members' Library.	Medium	Service Manager – Revenues and Welfare Support	Agreed		August 2018

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.