



NOTTINGHAM CITY HOMES

REVIEW OF THE RENT COLLECTION ARRANGEMENTS

Report issued:	June 2010
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Audit Plan:	2010/11
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The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Business Assurance

Review of the Rent Collection Arrangements

- EXECUTIVE SUMMARY -

INTRODUCTION

1. We have reviewed the Rent Collection arrangements at Nottingham City Homes. The review was carried out in June 2010 as part of the planned internal audit work for 2010/11.

SUMMARY

2. Two Key Risk Control Objectives were identified and tested and based on the findings from this work an overall evaluation of the overall adequacy of the internal controls was established (figure 1).

Figure 1 - Evaluation of the Effectiveness of the Internal Controls

Evaluation
Reasonable Assurance

KEY FINDINGS

3. The key control and operational practice findings that need to be addressed in order to strengthen the control environment are set out in the Management and Operational Effectiveness Action Plans. The prioritisation of the recommendations are summarised below (figure 2).

Figure 2 - Summary of Priorities of Recommendations

Urgent	Important	Routine	Operational
0	2	3	1

MANAGEMENT RESPONSES

4. Recommendations for improvements should be assessed by the Organisation for their full impact before they are implemented.

RELEASE OF REPORT

5. The table below sets out the history of this report.

Date draft report issued:	23 rd June 2010
Date management responses recd:	29 th July 2010
Date final report issued:	29 th July 2010



MANAGEMENT ACTION PLAN
PRIORITY 1, 2 AND 3 RECOMMENDATIONS

Risk	Finding	Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer
Failure to direct the process through approved policy & procedures.	A selection of suspense movement reports are reviewed periodically by the Rents Admin Team Leader and signed off as evidence of review. The full list of uncleared items remaining in the suspense accounts is not reviewed.	Recommendation 5: The full list of uncleared items remaining in the suspense accounts be regularly reviewed by the Rents Admin Team Leader and reasons for uncleared items be established.	2	<i>A review of all outstanding Suspense items will be undertaken quarterly. All transactions will be printed & cross referenced to previous reviews. Any additional information will be explored & the payment correctly posted wherever possible.</i>	<i>August 2010.</i>	<i>Andy Webb – Rents Admin Team Leader</i>
Failure to direct the process through approved policy & procedures.	Any cash that is held within the safe is recorded on a safe log with the movements in and out documented. At the Mary Potter Centre this had not been used correctly for the previous two months with entries made on 14th, 19th, 23rd April, 20th May and 1st to 3rd June.	Recommendation 4: The safe log be completed as required.	2	COMPLETE <i>Completed daily as per follow-up review undertaken on 30/06/2010.</i>	<i>Immediate</i>	<i>Steve Pepper – Area Housing Manager</i>

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	Control issue on which action should be taken.
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Risk	Finding	Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer
Failure to direct the process through approved policy & procedures.	<p>The cash supervisors at the area offices produce a daily reconciliation of the amount of cash, cheques and card payments received against the expected figures generated by the cash system (Radius). This is sent to the Cashiers and Banking team at Nottingham City Council. Any variances must be recorded and explained and a daily overs/unders sheet.</p> <p>It was noted that at two of the area offices visited this had not been completed in all instances.</p>	<p>Recommendation 1: Daily over and unders be recorded and explained as required.</p>	3	<p>COMPLETE</p> <p><i>Now recorded. Daily checks made with end of day sheets and cross reference to Appendix.</i></p> <p><i>Weakness highlighted the requirement for regular checking. The under/over book is now cross referenced monthly with the end of day spreadsheet to ensure all discrepancies are recorded correctly and the procedure is followed on all occasions.</i></p>	Immediate	Steve Pepper – Area Housing Manager

PRIORITY GRADINGS

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Risk	Finding	Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer
Failure to direct the process through approved policy & procedures.	It is possible to reverse a transaction out of the cash system in the event that an error has been made upon entry or if the payment type has been entered incorrectly. These are required to be recorded on a reversals log and explained and authorised by the cash supervisor. A review of the reversals report at the Mary Potter Centre highlighted that 11 reversals completed in the current year had not been recorded on the log.	Recommendation 2: All reversals be recorded daily as required.	3	COMPLETE <i>All updated as per follow-up review undertaken on 30/06/2010.</i>	<i>Immediate</i>	<i>Steve Pepper – Area Housing Manager</i>

PRIORITY GRADINGS

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Risk	Finding	Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer
Failure to direct the process through approved policy & procedures.	Where payment is made at the regional offices, the rent payment transaction is printed on the Tenant's rent card. A separate receipt can be printed if the rent card is not present and these are transferred onto the rent card at a later date. Cash is collected by Group Four daily, Monday to Friday. Cash collection bags are issued to each cashier with the bag number recorded on a log. This log had not been completed for the previous three weeks at the Mary Potter Centre.	Recommendation 3: Security bag issue logs be completed daily as required.	3	COMPLETE <i>Completed daily as per follow-up review undertaken on 30/06/2010.</i>	<i>Immediate</i>	<i>Steve Pepper – Area Housing Manager</i>

PRIORITY GRADINGS

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OPERATIONAL EFFECTIVENESS MATTERS

Item	Management Comments
<p><u>Para 13.1</u> The outcome of credit balance checks be recorded on the housing management system.</p>	<p><i>Credit balances over £1000 are reviewed quarterly, checked & will now be noted accordingly on Northgate.</i></p>

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures, rather than on a one-by-one basis

- DETAILED REPORT -

SCOPE AND LIMITATIONS OF THE REVIEW

6. The review considered the arrangements for the collection of rents including Housing Benefits at offices specified by senior management. The scope of the review did not include the collection of service charges or the management and recovery of arrears.
7. The limitations and the responsibilities of management in regard to this review are set out in the Annual Plan.

ASSESSMENTS OF THE KEY RISK CONTROL OBJECTIVES

8. This review identified and tested the controls that are being operated by the Organisation and an assessment of the combined effectiveness of the controls in mitigating the key probity risks is provided. The assessments are:

Substantial Assurance	robust series of internal controls in place which should ensure continuous and effective achievement of the control objective.
Reasonable Assurance	reasonable number of internal controls in place, however may not be operated all the time.
Limited Assurance	the controls in place are not sufficient to ensure the continuous and effective achievement of the control objective.
No Assurance	fundamental breakdown or absence of core internal controls.

MATERIALITY

9. The projected rent debit for 2010/11 is £87,064,263. The amount of rent collected to the end of May 2010 is £13,984,876.

10 Risk	Failure to direct the process through approved policy & procedures.
Risk Control Objective	Arrangements in place provide for compliance with established policies, procedures, laws and regulations.
Evaluation	<u>Reasonable Assurance</u>

11. The following matters were identified in reviewing the Key Risk Control Objective:

- 11.1 The Financial Regulations which were last reviewed in August 2009 detail the responsibilities relating to the collection of rental income and cash, and the writing off of uncollectable rental income.
- 11.2 The Company's leaflet "Rent - Managing Your Money" provides details of how tenants can pay. These include by direct debit, through PayPoint, at Post Offices, at Nottingham City Homes and Nottingham City Council offices, over the telephone and by using Nottingham City Council's online payments service. This also states that rent statements will be sent out every three months.
- 11.3 A Rent Arrears Management Manual, available on the Company's shared drive, provides details of the rents team structure. the management of current and former tenant and garage arrears and employee training.
- 11.4 A general Rents Procedures Manual is also in place dated August 2005. Discussions with the Rents Team Leader identified that these procedures do generally reflect the current arrangements but do require some updating and this project is being completed by the Central Rents Operations Manager.
- 11.5 Rent is charged over 50 weeks with the rent free weeks being at Christmas and the last week of August. Cash is currently taken at the Company's area officers and the City Council's main office at the Guildhall. The rent collection rates as at the end of the 2009/10 financial year were (and 2008/09 for comparison):-
- Branch/rent collector 44.5% (47.7%)
 - Debit/credit card 18.8% (17.8%)
 - Direct Debit 24.4% (22.3%)
 - Internet 3.8% (3.3%)
 - Pay Point 5.4% (5.4%)
 - Standing Order 3.1% (3.5%)
- 11.6 The Head of Rents is responsible for managing the Company's rent collection arrangements. This post is supported by a Central Rents Team Manager, three Rents Operations Managers and a Rents Administration Team Leader.

- 11.7 The postings received onto the rents system, which is part of the housing management system Northgate, are reconciled to the items recorded in the cash receipting system, Radius. The values of rent collected by Direct Debit and by the Rent Collectors are also identified and reconciled. This is completed daily and at the time of the audit review was up to date. These values are then matched to the nominal ledger based upon information received from Nottingham City Council's banking team and recorded on a spreadsheet. This had been completed up to six weeks prior to the audit.
- 11.8 A report is produced and reviewed on a daily basis by the Rent Clerical Assistant of items that have entered the rents suspense account. At the time of the audit review the value of items held in the suspense account was £7,975 credit. Discussions with the Rents Admin Team leader identified that this includes £1,972 that relates to a cheque received and banked by the City Cemeteries department in April 2009 who have been notified and requested to investigate.
- 11.9 Credit balances are review quarterly by the Rents Admin Team Leader, albeit this was not completed in quarter three (January 2010). If any account that pays by Direct Debit is in credit the system would generate a negative payment due value therefore paying the amount back into the tenant's bank account. A report is generated for each Direct Debit run which shows payments of less than £0.01. This is reviewed by the Rents Admin Team Leader prior to processing the run.
- 11.10 Requests for the refund of credit balances are made by the Rents Clerical Assistant or the Rents Admin Team Leader and are actioned by the Payments Team at Nottingham City Council.
- 11.11 The list of properties which are classified as un-lettable voids, including properties to be decommissioned and disposed, is reviewed at least once per week by the Lettings Manager. Also any properties which have become void and have not been advertised would be highlighted by the Homelink Team.
- 11.12 The cash supervisors at the area offices produce a daily reconciliation of the amount of cash, cheques and card payments received against the expected figures generated by the cash system (Radius). This is sent to the Cashiers and Banking team at Nottingham City Council. Any variances must be recorded and explained on a daily overs/unders sheet. It was noted that at two of the area offices visited this had not being completed in all instances.

Recommendation 1: Daily over and unders be recorded and explained as required.

- 11.13 It is possible to reverse a transaction out of the cash system in the event that an error has been made upon entry or if the payment type has been entered incorrectly. These are required to be recorded on a reversals log and explained and authorised by the cash supervisor. A review of the reversals report at the Mary Potter Centre highlighted that 11 reversals completed in the current year had not been recorded on the log.

Recommendation 2: All reversals be recorded daily as required.

11.14 Where the tenant pays at the area offices, the transaction is printed on the Tenant's rent card. A separate receipt can be printed if the rent card is not present and these are transferred onto the rent card at a later date.

11.15 Cash is collected by Group Four daily, Monday to Friday. Cash collection bags are issued to each cashier with the bag number recorded on a log. This log had not been completed for the previous three weeks at the Mary Potter Centre.

Recommendation 3: Security bag issue logs be completed daily as required.

11.16 The amount of cash taken by each cashier is entered onto the end of day log and onto the security bag receipt log. This is a key document as it is used to track the collection of each bag, with the amount contained within the bag, the date collected and the number of the security collection receipt issued by Group Four. Generally this was well completed; however some errors were made at the Mary Potter Centre with the wrong amount and bag numbers recorded. The Housing Manager was reminded of the importance of accuracy in the completion of this document.

11.17 Any cash that is held within the safe is recorded on a safe log with the movements in and out documented. At the Mary Potter Centre this had not been used correctly for the previous two months with entries only made on 14th, 19th, 23rd April, 20th May and 1st to 3rd June.

Recommendation 4: The safe log be completed as required.

11.18 Each of the area offices visited has a digital lock fitted on the safe with individual combinations issued to each cash supervisor. The safe code of a Housing Patch Manager at Bulwell, who was a Housing Advisor until July 2009, had not been deleted and was still operational. Discussions with the Housing Patch Manager identified that he had not used the safe for around one year and had no further use for the combination. The temporary Housing Manager was reminded of the need to delete this code as soon as possible.

12 Risk	Losses arising from unauthorised action by staff.
Risk Control Objective	Arrangements in place provide for safeguarding the organisation's assets and interests from avoidable losses.
Evaluation	<u>Reasonable Assurance</u>

13. The following matters were identified in reviewing the Key Risk Control Objective :

Risk: The means for tenants to pay their rent do not provide the maximum opportunity for regular and timely payments to be made thereby leading to increases in the level of rent arrears.

13.1 A review of a number of the largest current and former tenant credit balances showed that these had all been reviewed by the Rents Admin Team Leader in October 2009 and May 2010 and the results and comments recorded on a credit balances check spreadsheet. (Operational Effectiveness Matter refers).

- 13.2 All refunds made in w/c 26/3/10, 6/4/10 and 25/5/10 were reviewed. All were supported by requests made by the tenant and had been processed in the name of the tenant unless specifically requested and evidenced otherwise.
- 13.3 The rent suspense account previously held balances back to October 2001. During the previous financial year items relating to prior to 2007/08 were transferred out. There are still items dated April 2008 onwards held with no evidence of ongoing review carried out.
- 13.4 A selection of the daily suspense movement reports are examined periodically by the Rents Admin Team Leader and signed off as evidence of review. The full list of uncleared items remaining in the suspense accounts is not reviewed.

Recommendation 5: The full list of uncleared items remaining in the suspense accounts be regularly reviewed by the Rents Admin Team Leader and reasons for uncleared items be established.
