

Assessment of the Empty Property Intervention Programme

Thanet District Council
Homes and Communities Agency

Final

November 2015



Thanet District Council
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CT9 1XZ

Homes and Communities Agency (HCA)
Eastbrook,
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11 November 2015

Dear Sirs

Assessment of the Empty Property Intervention Programme (EPIP) at Thanet District Council

We have pleasure in enclosing a copy of our report (the Report) containing the findings from our review of the Empty Property Intervention Programme (the Assessment) at Thanet District Council (the Council). The scope of this review was agreed in the letter of engagement dated 20 August 2015 (the Letter of Engagement).

Notwithstanding the scope of this engagement, responsibility for management decisions will remain with Thanet District Council and Homes and Communities Agency (HCA) and not with Grant Thornton UK LLP.

We wish to draw to the Council's Cabinet and the HCA's attention an important development that we became aware of following our initial engagement. We were informed during the period of our field work the Council had suspended a Senior Housing Officer in May 2015 and had launched an internal investigation in to the matters behind the suspension. At the time of issuing this report the investigation was still on-going. Furthermore the HCA were made aware of the investigation by the Council on the 04 September 2015 during the period of our field work.

The purpose of the report is to evaluate the operation of the Empty Property Intervention Programme (EPIP) (the Purpose) as stated in the Letter of Engagement dated 20 August 2015. The report was not designed to support the Council's investigation. Both the Council and the HCA confirmed that the scope of our work remained unchanged following the disclosure of this important development to us. To the fullest extent permitted by law we do not accept any responsibility for any loss or damages arising out of the use of the Report or other communications by the Council and the HCA for any purpose other than in connection with the Purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the HCA for our work and for our report and other communications.

Scope of our work

Our work focused on the following areas:

1. **Governance arrangements** – assess the strength of the overall arrangements put in place by the Council to ensure that funding provided by the HCA was spent according to requirements and in a way that represents value for money;
2. **Compliance** – review the contract between the Council and the HCA in relation to the Empty Property Intervention Programme (EPIP) and assess the extent to which the conditions set out therein were complied with by the Council. Where possible we have reached a view on grant monies that were not claimed in accordance with contractual terms and which the HCA might therefore wish to recover;
3. **Control measures** – assess the strength of control measures put in place to support programme delivery, including project and programme management arrangements and financial controls. This will include a review of the process and authorisations for any properties removed from or substituted into the programme; and
4. **Accountability** – consider how officers responsible for delivering the programme were held to account by those charged with governance, including examination of reporting arrangements and performance management.

The following areas were agreed with the HCA and the Council to be out of scope:

- Our work has not been carried out to overlap or support the Council's internal investigations in relation to the suspension of a senior housing officer
- Our work does not include a review of the controls within the investment management system (IMS) or the controls in place at the HCA to monitor and validate the submissions made to them in respect of the EPIP scheme.

Period of our fieldwork

Our review was performed between 01 September 2015 and 22 September 2015. We have not performed any further work since 22 September 2015 and in agreement with the Council and the HCA, our report does not take into account matters that have arisen since then.

Limitation of liability

We draw the to the Council and the HCA's attention to the limitation of liability clauses in paragraphs 3.1 to 3.9 contained in Appendix 1 of our engagement letter dated 20 August 2015.

Forms of report

For the Council and the HCA's convenience, this report may have been made available to the Council and the HCA in electronic as well as hard copy format, multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

Confidentiality and reliance

Our report is addressed to the Council and the HCA. We stress that our report and other communications are confidential and prepared for the addressees only. They should not be used, reproduced or circulated for any other purpose, whether in whole or in part without our prior written consent, which consent will only be given after full consideration of the circumstances at the time.

We agree that an addressee may disclose our report to its employees, officers, directors, insurers and professional advisers in connection with the Purpose, or as required by law or regulation, the rules or order of a stock exchange, court or supervisory, regulatory, governmental or judicial authority without our prior written consent but in each case strictly on the basis that we owe no duties to any such persons. We also agree that our report may be disclosed to Members of the Council.

General

The report is issued on the understanding that the management of the Council and the HCA have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our report up to the date of signature of this report. Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after this date.

We would like to thank Council officers for making themselves available during the course of the review.

Grant Thornton UK LLP

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November 2015

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Our work has been conducted and our report prepared for Thanet District Council in accordance with a specified set of requirements. Accordingly, any use third parties may choose to make of our report is entirely at their own risk and we accept no responsibility whatsoever in relation to such use.

1. Introduction

1.1 Background

- 1.1.1 This section sets out the background and context for our work and a summary of our key findings.
- 1.1.2 As part of the Spending Review in October 2010, the Government announced the introduction of a £100m fund to bring more empty homes back into use known as the Empty Property Intervention Programme (EPIP). The Homes and Communities Agency (HCA) are the responsible body for delivering the programme.
- 1.1.3 On 2 March 2012 the Council was successful in securing an offer for £535,000 of EPIP grant funding from the HCA for the provision of 30 homes within the district to be bought back to habitable condition. The HCA would fund up to £17,833 per unit and any additional costs would be funded by the Council's housing revenue account (HRA). The EPIP plays an important role in the Council's housing strategy to increase the number of homes available.
- 1.1.4 On 10 May 2012 the Council's Cabinet endorsed the acceptance of the contract offer from the HCA and on the 18 June 2012 the Council and the HCA signed a contract for the provision of grant funding in relation to the Empty Property Intervention Programme (the HCA contract).

1.2 Context

- 1.2.1 Thanet's EPIP is funded with a combination of grant funding from the HCA and direct investment from the Council's HRA. The HCA grant is conditional on the associated works being completed by 31 March 2015. The grant funding was managed and claimed through the HCA's Investment Management System (IMS).
- 1.2.2 The HCA made payments to the Council in two phases per property. The first payment was an interim payment, made after the Council had purchased a property. The interim payment was calculated at 50% of the maximum funding per unit (£8,917). Upon completion of the works the second and final payment for the balance would be paid to the Council. Therefore the maximum funding the Council should have received was £17,833 per unit. During the period of delivering the scheme the percentage for the interim payment changed from 50% (23 July 2012 to 30 June 2014) to 75% (1 July 2014 to 31 March 2015).
- 1.2.3 In November 2014, the Council's Finance and Housing Teams agreed that the Finance Team should carry out a monthly reconciliation between the payments received from the HCA in respect of the EPIP scheme and the expenditure defrayed by the Council.
- 1.2.4 We understand from the Finance Team that monthly reconciliations were subsequently sent to the Head of Housing, Strategic Housing Accountant, Project Managers and the Strategic Housing Officer.

- 1.2.5 It was during this monitoring process that in early 2015 the Finance Team noted some discrepancies in respect of the claims being made. For example, the Finance Team noted a claim was made in relation to a property that had not been purchased by the Council. We understand that the Council informed the HCA of these discrepancies in June 2015 and on 15 June 2015 the Council met the HCA, where we note from the meeting minutes that the HCA reconfirmed the grant conditions e.g. the property must be purchased before claiming any grant funding. Therefore the HCA would reclaim any grant monies incorrectly claimed by the Council. The Council agreed to commission an independent review of the EPIP scheme to understand the reasons for the incorrect claims and report the findings to the HCA.
- 1.2.6 We understand from the Council that following the meeting on 15 June 2015 with the HCA all grant monies relating to EPIP and another funding programme (New Homes Programme) were suspended by the HCA pending completion of this review.

1.3 Summary of findings

- 1.3.1 We found that governance arrangements for EPIP were inadequate and there was a lack of appropriate controls in place to ensure robust management of the scheme.
- 1.3.2 We found that the Council has over-claimed £91,242 from the HCA, and is in breach of section 3 ('Monitoring and Reporting') of the contract with the HCA, because quarterly certificates were submitted to the HCA without sufficient checks being carried out to determine the entitlement of the claims.
- 1.3.3 There was no evidence of checks being carried out by the Council before a claim was made on IMS. In addition we noted numerous instances of non-compliance with the Council's own internal processes in relation the EPIP scheme.
- 1.3.4 Section 22 of the HCA contract ('Grant recipient's records and accounting') paragraphs 22.1.1 and 22.1.2 require the grant recipient to make available all data, material, documents and accounts in a timely manner to the HCA where required or in connection with this agreement. We found the overall quality of the record keeping to be poor. The files were incomplete with missing information. The files also lacked a clear structure which made it difficult to quickly ascertain what information was relevant to the EPIP scheme. We have made associated recommendations within this report that require urgent attention.
- 1.3.5 Overall we would recommend that the Council ensure that the governance and control arrangements are strengthened and that the Council provides assurances to the HCA that those arrangements are in place and effective before continuing with any similar grant funding programmes.

1.4 Structure of the report

- 1.4.1 Section 2 of the report assesses the governance and accountability arrangements within the Council that were in place to ensure compliance with the HCA grant conditions.
- 1.4.2 Section 3 of our report assesses the strength of the financial controls in place at the Council to support the programme delivery, including project and programme management arrangements.

- 1.4.3 Section 4 of our report details the findings regarding the grant monies the Council has claimed to date.
- 1.4.4 Section 5 summarises our overall conclusion and recommendations, including an Action Plan that has been agreed with the Council in response to our findings and recommendations.
- 1.4.5 Appendix A summarises the Council's internal process for managing the EPIP scheme and Appendix B contains the results of the Council's compliance with its own internal processes.

2. Governance and accountability arrangements

2.1 Introduction

- 2.1.1 This section of the report summarises the governance and accountability arrangements that were in place at the Council at the time claims were made for HCA grant funding. The period of the claims covers 1 September 2012 to 31 March 2015.
- 2.1.2 We have also assessed the strength of the overall arrangements put in place by the Council to ensure that the funding provided by the HCA was spent in accordance with grant conditions.

2.2 Governance arrangements

- 2.2.1 As part of our review we interviewed officers from the Housing and Finance Teams to understand the governance and reporting arrangements in place at the time the claims were made.

Cabinet approval

- 2.2.2 On the 10 May 2012, the Cabinet endorsed acceptance and approval for the Council to commence with the refurbishment of 30 homes as part of the EPIP.

Project management and governance

- 2.2.3 We found that the Council did not have a formal documented process in place to manage the EPIP scheme. We were provided with a 'process outline' document that was developed retrospectively by the Housing Team following our request during field work. It was clear from our meetings with the Housing Team that the process in place when the EPIP scheme was operational was informal and no clear documented guidelines existed for the Housing Team to follow. An informal process without any documented guidelines put the Council at a higher risk of breaching the contract conditions. From our experience, this type of arrangement can lead to errors being made in grant claim submissions, which can be compounded without proper monitoring and oversight. The lack of formal controls also increases the risk of more serious material breaches of the contract or fraudulent activity going unrecognised.
- 2.2.4 For programmes of this type, we would expect the following to be documented as a minimum:
- a clear reporting and decision making structure within the Housing Team
 - defined roles and responsibilities of key individuals within the Housing and Finance Teams
 - expected frequency of meetings between the HCA and the Council
 - delegated approval levels in respect of works to be carried out and claim approval.

- 2.2.5 We would have also expected Senior Finance and Housing Officers to monitor on a quarterly basis in line with the quarterly submissions to the HCA, the following information:
- the number of properties in the scheme and completed at the end of each quarter
 - the amount of funding received to date and a forecast of future funding
 - completion of key actions arising from the meetings between the HCA and the Council and between the Finance and Housing Teams.

Meeting minutes

- 2.2.6 In accordance with Section 3 ('Monitoring and Reporting'), paragraph 3.1 of the contract, "the grant recipient (the Council) is responsible for recording and distributing minutes with the HCA within 10 working days".
- 2.2.7 The Council were not able to provide us with a complete set of minutes of quarterly meetings between the Council and the HCA. The minutes that were provided did not clearly note whether actions from previous meetings had been completed or remained outstanding.
- 2.2.8 We also reviewed minutes that were made available to us between the Council's Finance Team and the Housing Team. We found the meetings occurred infrequently and the minutes did not sufficiently detail the actions and discussions that took place. It was unclear what the outcomes of these meeting were if any. Additionally no review of the previous actions was recorded.

Cabinet minutes

- 2.2.9 We also reviewed the minutes that were presented to Cabinet during the 2014-15 financial year, being the period relating to claims being made that have subsequently been identified as not meeting HCA grant conditions, in order to understand what information the Cabinet received and how the Cabinet fulfilled its scrutiny role in respect of the EPIP scheme.
- 2.2.10 Quarterly reports were provided to Cabinet which focused on monitoring the HRA and associated capital programmes. In respect of the EPIP scheme, we note that the Cabinet were updated on particular properties that were removed from the EPIP scheme as works could not be completed by the 31 March 2015, the HCA grant funding deadline. However, we did not see detailed quarterly or annual updates to the Cabinet in respect of the EPIP scheme that would provide the opportunity for the Cabinet to effectively scrutinise delivery and progress of the scheme.
- 2.2.11 The EPIP scheme was subject to annual compliance audits undertaken by Grant Thornton on behalf of the HCA and the Council under a tri-partite letter of agreement. Grant Thornton undertook the compliance audits in our role as accountants, under a separate terms of engagement to their role as the Council's external auditors. The compliance audits were undertaken based on specific procedures as prescribed within the HCAs compliance checklist document. The compliance audits were sample-based and therefore did not include all properties within the EPIP programme, however even

within the limited samples reviewed, compliance issues were identified and reported to the Council and the HCA.

- 2.2.12 We reported the findings of our compliance audits to the Council's Finance and Housing Officers and the HCA. Issues raised included the lack of available information including, for example, completion certificates. We understand that the Council did not report the compliance audit findings to the Council's Cabinet. We understand from speaking to the External Funding Officer within the Finance Team and the Strategic Housing Officer that no action was taken by the Council or the HCA in respect of the results of the annual compliance audits. We would have expected the Council and the HCA to have discussed the findings at the quarterly meetings and developed timely actions to address the weaknesses found.
- 2.2.13 Overall we could not see any evidence to demonstrate that the Housing Team were subject to appropriate scrutiny in respect of the EPIP scheme. We understand from the Housing and Finance Teams that Cabinet were not made aware of the risks and issues identified by the Finance Team upon introducing the reconciliation control measure and therefore Cabinet were not formally made aware of the issues arising in respect of the scheme.

2.3 Conclusion

- 2.3.1 From the information made available to us and our interviews with officers, our conclusion is that governance arrangements relating for the EPIP scheme were inadequate and that the Cabinet did not have all the information needed to allow effective scrutiny of the scheme.
- 2.3.2 Section 5 summarises our overall conclusion and recommendations, including an Action Plan that has been agreed with the Council in response to our findings and recommendations.
- 2.3.3 Appendix A summarises the Council's internal process for managing the EPIP scheme and Appendix B contains the results of the Council's compliance with its own internal processes.

3. Control measures

3.1 Introduction

- 3.1.1 This section of the report assesses the adequacy of control measures put in place by the Council in order to ensure that grant funding claimed by the Council was accurate and in compliance with the grant terms and conditions as set out in the contract with the HCA signed and dated 18 June 2012.

3.2 Internal control process

- 3.2.1 From the interviews with the Housing and Finance officers we sought to understand the internal controls in place and followed by the Council to ensure the Housing Team was claiming for properties that met the conditions stipulated within the HCA contract.

Controls

- 3.2.2 We found from our meetings with the Housing Team that there was a lack of controls in place to ensure grant monies were being claimed for properties that met the conditions within the contract. We understand that Project Managers would orally inform the Strategic Housing Officer that a property had been completed for refurbishment and the Strategic Housing Officer would proceed to make a claim on IMS without checking and validating that the evidence was in place to support the conditions of the grant had been met. As already noted in the governance arrangement section of this report, it appears that roles and responsibilities were not clearly documented or communicated within the Housing Team and therefore Housing Officers managed the scheme in an informal way without adequate controls in place to comply with the conditions of the contract and ensure only valid claims were made on IMS.
- 3.2.3 From our experience a good control environment would have the following or similar controls in place to effectively manage the scheme and to comply with the contract conditions:
- a comprehensive checklist that is divided by each phase of the scheme (property identification, purchase, estimate for works, completion of works, pre-claim IMS validation checks). Each phase should ideally cross reference to the conditions within the contract. This would ensure that everyone is aware that each part of the checklist needs to be completed before progressing to the next phase, and by not completing a section, the contract grant condition(s) will not have been met.
 - Project Managers, who we understand were responsible for the delivery of the works, should ensure all relevant parts of the checklist (property identification, purchase, estimate for works, completion of works) are completed by them and counter-signed by an appropriate person within the Housing Team to verify the each phase of the scheme is adequately completed and associated evidence has been retained.
 - the Strategic Housing Officer should ensure that all previous parts of the checklist have been completed and evidence has been retained on file. A schedule of expected claims to be made on IMS should be counter signed by the

Strategic Housing Manager verifying that they are satisfied the checks have been completed satisfactorily and that the expected claims to be made on IMS are accurate and valid.

- once the claims have been entered on IMS, we would then expect a copy of the claim to be retained as part of the audit trail.
- we would expect the Finance Team to carry out their monthly reconciliation and share their findings with the Housing Team at regular meetings throughout the year. Any amendments or errors found by the Finance Team should be discussed to determine the cause of the issue so that it can be resolved.

Understanding of the contract requirements

- 3.2.4 From our interviews with the current Housing Team we understand that the Project Managers who managed the delivery of the work had moved on and are no longer employees of the Council and therefore we were unable to confirm whether the contract requirements and conditions were understood or communicated to them. Additionally, Housing and Finance Officers confirmed that the Head of Housing had overall responsibility for the management of the EPIP scheme. It appears there was a lack of project management and oversight in place to manage the claims process adequately.

File review and record keeping

- 3.2.5 We reviewed the hard copy files retained for each of the 30 properties the Council had claimed funding for from the HCA. During our review we identified that there was no evidence retained to demonstrate that an appropriate person had reviewed the files to ensure the conditions of the grant had been met. The quality of documentation retained within the files varied widely. None of the files had all the information we expected to see to meet the contractual requirements or the Council's own internal processes. This included; evidence a property had been purchased, estimate of works had been sought, completion certificate or hand over sheet on file and confirmation the property had been added to the Council's asset register. We had to request further information to validate whether the grant conditions and the Council's own internal processes had been met. The files also lacked a clear structure setting out what should be contained within each of the files. Overall, the quality of record keeping was poor and resulted in the Council not being able to provide the necessary information on a timely basis as required under section 22 of the HCA contract.
- 3.2.6 As an example, the HCA contract conditions require a certificate for practical certification upon works being completed. The Council has used external contractors to carry out some refurbishments including the Council's current maintenance provider East Kent Housing to deliver the smaller refurbishments. We spoke to an officer from East Kent Housing who informed us the Council's Housing Department were not always clear on what processes East Kent Housing should have followed i.e. to follow the existing voids/maintenance completion process or another process. We recommend that the Council standardise their reporting requirement to ensure a consistent process is followed and understood by all parties involved in delivering the works.

- 3.2.7 As part of good practice contract management we would expect a senior responsible officer to ensure the contract grant conditions were properly communicated to the Housing Team and any parties involved in the scheme delivery to avoid breaching the conditions of the contract.

Quarterly certificate submissions

- 3.2.8 The HCA contract (paragraphs 3.1-3.4) requires the Council to submit quarterly certificates on IMS. We reviewed all quarterly submissions on IMS for the period covering 1 September 2012 to 31 March 2015. We found no checks had been carried out to validate the entitlement of the claims before quarterly submissions were made on IMS. This is not compliant with the contract conditions and a breach of the contract.
- 3.2.9 Additionally we understand that the Council has an External Funding Officer within the Finance Team who is responsible for monitoring grant claims that the Council receives from all external sources other than the HCA. The External Funding Officer was not involved in reviewing the quarterly submissions or claims on the IMS system. We have made recommendations to strengthen the claim monitoring and approval process within section 5.

Training on the IMS system

- 3.2.10 During of meetings with the Housing and Finance Teams they both raised the issue that no training had been provided by the HCA on how to use IMS. We understand from the HCA that all providers were advised to follow the procedures in the IMS Guidance documents available on the HCA web site. Additionally an Area Manager was available to assist with any queries the Council had. It is further understood that all providers will have the opportunity to have IMS training in January /February 2016.
- 3.2.11 It was felt by the Council that IMS was tailored for housing associations to use and not local authorities and therefore the system was cumbersome in certain aspects of claim validation and reporting. The HCA disagreed with these views. A review of IMS was outside the scope of our work, therefore we are unable to comment further on this matter.

3.3 Conclusion

- 3.3.1 There was a lack of control and oversight in place to ensure that claims were being checked and validated against the conditions of the HCA contract and before claims were made on IMS.
- 3.3.2 It is important that the Council implements the recommendations contained in this report to strengthen their control arrangements and to provide confidence to the HCA that a similar issue will not arise again.

4. Detailed findings on grant claim income

4.1 Introduction

- 4.1.1 This section of the report summarises the results of our detailed testing for each of the 30 properties against the conditions within the HCA contract. We also summarise in this section where we understand that the Council has incorrectly claimed for grant monies. The HCA is responsible for validating the eligibility of grant claims and for determining whether the Council should repay for grant monies that have been over-claimed, or whether alternative action should be taken.
- 4.1.2 The contract requires the Council to have met the following key conditions to make a valid claim.

Table 1.1 Extract of the key conditions for grant claim procedures per section 9.2 of the HCA contract

Para Reference	Terms and conditions
9.2	In submitting an application pursuant to Condition 9.1 the Grant Recipient is deemed to represent and warrant to the Agency that:
9.2.1	The site has been acquired and the works procured, designed and carried out in accordance with the requirements of this agreement.
9.2.2	The Firm Scheme has reached Practical Completion and meets the Submitted Standards.
9.2.3	All confirmations and certifications made or to be made by the Grant Recipient in IMS in relation to the Firm Scheme have been or will be correct in all material aspects.

4.2 Findings

- 4.2.1 The table below summarises the results of our detailed findings against the key conditions of the contract, along with our conclusion whether or not the Council have correctly claimed grant claim payments. Our judgement is based on the information provided to us during our field work..

Table 1.2: Results table

Results	Amount (£)
Amount claimed per IMS	£536,891
Amount incorrectly claimed: (see table 1.3 below)	£91,242
Maximum grant available	£535,000

- 4.2.2 To date the Council has claimed more than the total grant funding available (£535,000). Based on the evidence provided to us, the Council has incorrectly over-claimed £91,242. Table 1.3 on the next page details these incorrect claims from our testing of

all 30 properties. We have also provided an explanation of why the relevant claims were incorrect.

- 4.2.3 Section 5 summarises our overall conclusion and recommendations, including an Action Plan that has been agreed with the Council in response to our findings and recommendations.
- 4.2.4 Appendix A contains a summary of the Council's own internal process that was retrospectively developed by the current Housing Team during the course of our review.
- 4.2.5 Appendix B contains the results of the Council's compliance with its own internal processes, that were produced retrospectively for this review. There were in total 35 instances of non-compliance with the Council's own processes. The instances of non-compliance relate to poor record keeping.

Table 1.3 Summary of properties incorrectly claimed by the Council

Property address	Amount claimed per IMS	Actual entitlement per contract	Amount incorrectly claimed	Explanation for incorrect claim
3 Bell Cottages, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 15 May 2015 therefore the Council did not complete the works before 31 March 2015 deadline, as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
21 Clifton Road, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 17 April 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
39 Holly Lane, Margate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 17 April 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
2 Senlac Close, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 30 April 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.

Property address	Amount claimed per IMS	Actual entitlement per contract	Amount incorrectly claimed	Explanation for incorrect claim
9 Highbury Gardens, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 30 April 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
53 Cecilia Road, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The work was completed per the 'practical completion certificate' on 15 May 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
19 Margate Road, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there is evidence of proof of purchase of the property. The works were still on-going in September 2015 and not completed before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over claimed.
20 St Lukes Avenue, Ramsgate	£19,733	£13,375	£6,538	The Council is entitled to the interim payment (75% of the £17,833) because there was evidence of proof of purchase of the property. However per IMS the Council received £14,800 for the interim payment instead of £13,375 which is an over payment of £1,425 by the HCA. As the works were still on-going in September 2015 and not completed before 31 March 2015, as required by the HCA grant conditions, the remaining 25% (£4,458) has been over-claimed. Therefore the HCA have overpaid £1,425 and the Council have over-claimed £4,458. The total amount over-paid and claimed is £6,538.

Property address	Amount claimed per IMS	Actual entitlement per contract	Amount incorrectly claimed	Explanation for incorrect claim
1 Denmark Road, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there was evidence of proof of purchase of the property. However the works were still on-going in September 2015 and not completed before the 31 March 2015, as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
13 Oakdene Road, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there was evidence of proof of purchase of the property. Therefore the remaining 25% (£4,458) has been over-claimed.
20 La Belle Alliance Square, Ramsgate	£17,833	£13,375	£4,458	The Council is entitled to the interim payment (75% of the £17,833) because there was evidence the property was purchased on 31 March 2015. The work was completed per the 'hand over sheet' on 28 April 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458) has been over-claimed.
10 Princes Crescent, Margate	£17,833	£nil	£17,833	The Council confirmed to us during the review that they had not purchased this property. However the Council had claimed the full amount on IMS. Therefore the full amount (£17,833) has been over-claimed.
Flat 1 and 2 23 Cannonbury Road, Ramsgate 2 Units	£35,666	£26,750	£8,916	The Council is entitled to the interim payment (75% of the £17,833) per unit because there is evidence of proof of purchase for each of the units. The work was completed per the 'Practical completion certificate' on 19 June 2015 therefore the Council did not complete the works before 31 March 2015 as required by the HCA grant conditions. Therefore the remaining 25% (£4,458 per unit) has been over-claimed.

Property address	Amount claimed per IMS	Actual entitlement per contract	Amount incorrectly claimed	Explanation for incorrect claim
Flat 1,2 and 3 52 Addington Street, Ramsgate 3 Units	£53,500	£40,125	£13,375	The Council is entitled to the interim payment (75% of the £17,833) per unit because there is evidence of proof of purchase for each of the units. We understand from the Housing Team that the contractor was not instructed to provide a completion certificate as part of his contract and as a result the Council were not able to demonstrate that the works were completed before the 31 March 2015 as required by the HCA contract. Therefore the remaining 25% (£4,458 per unit) has been over-claimed.
Total			£91,242	The Council has incorrectly over-claimed £91,242 from the HCA.

5. Conclusion and Recommendations

5.1 Introduction

5.1.1 This section of the report summarises our conclusions and recommendations. Our recommendations contained in table 1.5 below are based on our observations, interviews with officers at the Council and results of our detailed testing.

5.2 Conclusion

5.2.1 We found there were inadequate governance arrangements and a lack of controls in place during the period the scheme was operating to ensure robust management and compliance with the HCA grant conditions.

5.2.2 From our detailed findings we found that the Council has over claimed £91,242 from the HCA and breached section 3 of the contract, because quarterly certificates were submitted to the HCA without sufficient checks being carried out to determine the entitlement of the claims.

5.2.3 There was no evidence of checks being carried out by the Council before a valid claim was made on IMS. In addition, we noted 35 instances of non-compliance with the Council's own internal processes in relation the scheme and that were developed retrospectively. The overall quality of the record keeping was poor and not in compliance with section 22 of the contract.

5.2.4 On the next page table 1.4 sets out an Action Plan that was agreed with the Council. The Action Plan summarises the findings along with our recommendations and the Council's response to each of the recommendations.

Table 1.4: Action Plan that summarises the key findings, recommendations and actions the Council has agreed to implement.

Findings	Recommendations	Council Management Comments and actions (Date / Ownership)
<p>F1: From the meetings with the Finance and Housing Teams, it appears there was no overall responsible officer appointed to project manage the delivery of the scheme and verify the validity of claims before being requested from the HCA through IMS.</p>	<p>R1: We recommend the Council should have an experienced officer appointed to project manage the EPIP scheme, due to an apparent lack of ownership and responsibility in respect of the scheme.</p>	<p>Comments: New management arrangements have been implemented. The role of the Head of Housing has overall responsibility for the HCA funded programmes. This role is currently covered on an interim basis. The programmes are co-ordinated by a new steering group, which includes representation from the Council's Finance Team and East Kent Housing. A new project delivery officer is now in post to support the programme delivery.</p> <p>Deadline: Completed Owner: Head of Housing</p>
<p>F2: Overall there was a lack of a robust and formal documented process in place to ensure compliance with the HCA contract.</p>	<p>R2: We recommend the Council ensure there is a comprehensive and robust project governance arrangements in place incorporating the areas recommended in paragraph 2.2.4 of this report. The document should be shared and communicated to all officers involved in the scheme.</p>	<p>Comments: This is agreed. New arrangements include:</p> <ul style="list-style-type: none"> • clear accountability to the Head of Housing • progress and exception monitoring through the programme steering group • quarterly reporting to Cabinet on financial performance • new guidance for officers on decision making and authorisation procedures • progress and follow up audit reported to Governance and Audit Committee. • regular update meetings with the HCA.

Findings	Recommendations	Council Management Comments and actions <i>(Date / Ownership)</i>
		Deadline: 1 November 2015 Owner: Head of Housing
<p>F3: It was clear from the meetings we have had with officers and evidence we have seen that the Housing Team involved in the EPIP scheme and appointed contractors were not made aware of the conditions of the contract to ensure compliance with the grant funding conditions.</p>	<p>R3: We recommend the Council ensure the conditions of the contract are clearly understood and incorporated in to a checklist that should be used to as part of the grant claim process prior to claims being made on IMS.</p>	<p>Comments: This is agreed. A detailed compliance checklist will be developed for the Council’s current and future HCA funded programmes. The Head of Housing will be responsible for ensuring compliance with the new checklist.</p> <p>Deadline: 1 November 2015 Owner: Head of Housing</p>
<p>F4: The monthly reconciliations being undertaken by the Finance Team are only completed once claims have been made on IMS. There is a need for checks to be carried out before any claims are made on the system.</p>	<p>R4: We recommend an appropriate Housing Officer undertakes checks to ensure the contract conditions have been met before a claim is made on IMS.</p> <p>Additionally we would recommend the Finance Team are involved in respect of the authorisation process for making claims. This will help to ensure there is segregation of duties in the authorisation process.</p>	<p>Comments: Agreed. The programme delivery officer will be responsible for ensuring complete record keeping for all projects and for providing copies of the necessary documentation to the Housing Strategy Manager/Head of Housing to authorise claim (subject to financial limits).</p> <p>Agreed. External funding officer to submit claim, with authorisation of the Housing Strategy Manager/Head of Housing and sight of the necessary documentation to confirm compliance with the funding conditions</p> <p>Deadline: 1 November 2015 Owner: Head of Housing/Head of Finance</p>

Findings	Recommendations	Council Management Comments and actions (Date / Ownership)
<p>F5: It appears the Council's Cabinet were not provided with the detailed issues around the finance and control weaknesses in respect of the EPIP scheme.</p>	<p>R5: We would recommend the Council's Governance and Audit Committee are provided with a detailed report on the progress of implementing these recommendations. For similar future schemes, Cabinet should be provided with a monitoring report on the effectiveness of the governance and control arrangements to ensure the scheme is being effectively managed.</p>	<p>Comments: The Council agree with the recommendation and will ensure the findings of a follow up audit are reported to the Council's Governance and Audit Committee. The cabinet will be asked to confirm the governance and reporting arrangements at the outset of any future programmes. Deadline: 9 December 2015 Owner: Head of Housing/Director of Corporate Governance</p>
<p>F6: The property files were not complete, were unstructured and supporting evidence was not readily available. In particular, evidence the Project Managers who have the left the Council but were responsible for was not readily available during the course of our field work.</p>	<p>R6: We recommend the audit trail to support how the grants conditions have been met are retained and stored safely or electronically scanned, particularly to ensure data is not lost should officer officers leave the Council during the course of a grant scheme being delivered.</p>	<p>Comments: Agreed. New governance arrangements will include a checklist detailing all of the required documents and records to be retained on each file, ensuring compliance with grant conditions and internal procedures. Deadline: 1 November 2015 Owner: Head of Housing</p>
<p>F7: The Council's Finance and Housing Teams require training on IMS.</p>	<p>R7: We recommend the Council have a trained officers on IMS.</p>	<p>Comments: This recommendation is supported. The council will provide named officers who will have access to the system and will require training. Deadline: February 2016 Owner: Head of Housing/Head of Finance</p>

Further Council comments

The council welcomes the findings of this audit and recognises the failings in the processes for the EPIP. The recommendations are supported in full and will be implemented to ensure that future programmes have robust governance and management arrangements in place and that all grant conditions are fully complied with.

The Council has already reviewed the resources available to support the delivery of its housing development activities, including formally identifying the Head of Housing as the lead officer, established a new programme steering group, employed a new project delivery officer and integrated the External Funding Officer into reconciliations and the authorisation of claims. It has approved a follow-up internal audit in respect of the delivery of management actions against the findings and recommendations in this audit, to be conducted in the first quarter of 2016.

The Council remains committed to working in partnership with the HCA and to the delivery of its housing programmes to the highest possible standard.

Appendices



Appendix A: Council's internal process

Process	Details
Project management	<ul style="list-style-type: none"> • Project approved by Cabinet • Co-ordinated by a 'steering group' from various departments. • Quarterly reports on spend and budget of EPIP sent to cabinet.
Identification of property	<ul style="list-style-type: none"> • Properties are identified for 'purchase and repair'.
Acquisition	<ul style="list-style-type: none"> • Officer decision to proceed with purchase for each property • Valuation undertaken by 3rd party Royal Institute of Chartered Surveyors (RICS). • Instruction to legal team to purchase property(s) • Confirmation of purchase received.
Interim claim	<ul style="list-style-type: none"> • Upon (oral or email) confirmation of purchase, the Council Housing Strategy manager would claim the interim grant monies • An 'internal' template used to uploaded onto IMS • HCA checklist was completed – with no review of documentation
Final claim	<ul style="list-style-type: none"> • Upon completion of works, the Council would claim the final grant monies. • Same 'internal' template as used for interim was checked and HCA checklist completed – again with no review of documentation.
Tendering & value for money	<ul style="list-style-type: none"> • All required works tendered in accordance with the Council contract standing orders • Mixed economy of routes – contractors – Mears voids contract.
Finance department process	<ul style="list-style-type: none"> • Produce a reconciliation between expected claim amounts and actual claim amounts. • Flag differences to housing

Source: The table below was produced retrospectively by the Interim Head of Housing in respect of the controls thought to have been in place prior our review.

Appendix B: Results summary – compliance with the Council's own internal processes

The table below details the Council's own compliance results with the internal processes as defined in appendix B above.

Property/units	Address	Evidence to support the Officer decision to purchase retained on file?	Evidence of instructions from the Legal Department to proceed procurement retained on file?	RICS valuation report and estimate for works retained on file?	Completed 'addition to asset register' form retained on file?
1	89 Kennedy House, Ramsgate	Yes evidence was on file	Yes evidence was on file	No evidence seen on file	No evidence seen on file
2	88 Staner Court, Ramsgate	Yes evidence was on file	Yes evidence was on file	No evidence seen on file	No evidence seen on file
3	59 Kennedy House, Ramsgate	Yes evidence was on file	Yes evidence was on file	No evidence seen on file	No evidence seen on file
4	28 Alma Road, Ramsgate	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
5	54 Chichester Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
6	14 Granville Farm Mews	Yes evidence was on file	Yes evidence was on file	No evidence seen on file	Yes evidence was on file
7	23 Setterfield Road, Ramsgate	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
8	37 St Lawrence Avenue, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
9	3 Bell Cottages , Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
10	21 Clifton Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
11-13	Flats 1,2,3 52 Addington Street, Ramsgate	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file

Property/units	Address	Evidence to support the Officer decision to purchase retained on file?	Evidence of instructions from the Legal Department to proceed procurement retained on file?	RICS valuation report and estimate for works retained on file?	Completed 'addition to asset register' form retained on file?
14-16	Flats 1,2,3 59 Grange Road, Ramsgate	Yes evidence was on file	Yes evidence was on file	No evidence seen on file	No evidence seen on file
17	39 Holly Lane, Margate,	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
18-19	Flat 1 and 2 23 Cannonbury Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
20	2 Greystones Road, Cliffsend	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
21	2 Senlac Close, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
22	9 Highbury Gardens, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
23	53 Cecilia Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
24	2 Vine Close, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
25	19 Margate Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
26	20 St Lukes Avenue, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
27	1 Denmark Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	No evidence seen on file
28	13 Oakdene Road, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
29	20 La Belle Alliance Square, Ramsgate	No evidence seen on file	Yes evidence was on file	Yes evidence was on file	Yes evidence was on file
30	10 Princes Crescent, Margate	No evidence seen on file	No evidence seen on file	Yes evidence was on file	No evidence seen on file
Total instances of non-compliance with the Council's internal process		17	1	5	12



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