

Compliance Audit

Checklist A

Rent & Sale

(2015-18 AHP, 2016-21 SOAHP, CASSH Phase 2,
Platform for Life and Homelessness Change
Programmes)

2015-18 & 2016-21

V 05 – May 2018



Homes
England

For use by 'Independent Auditors' undertaking self-assessment compliance audits under Affordable Homes Programme and Shared Ownership and Affordable Homes Programme Contracts

This checklist is to ensure that requirements and funding conditions for AHP Contracts have been met according to the Capital Funding Guide (CFG). All audits are undertaken online through the Compliance Audit system. This document is for information only and is not intended to be used to record or submit information regarding any audit. All questions will require a yes or no answer and additional explanatory text to clarify the full details.

GRANT CONDITIONS

1	<p>Were the conditions within the relevant contract complied with?</p> <p><u>Auditor notes</u></p> <p><i>Note: Funding conditions have been incorporated into SOAHP, AHP, Care & Support Contracts for 2016-21 and 2015-18, so annual sign-off of separate funding conditions is no longer required.</i></p> <p><i>Check SOAHP/AHP/Care & Support Contract which should be in place and completed prior to the drawdown of funds. While it is good practice to keep a copy on file, the record on IMS of it having been signed is sufficient evidence that a contract is in place. The general presumption should be in favour unless there are clear indications to the contrary.</i></p>
2	<p>Has a comprehensive scheme file been provided containing all relevant documents as set out on the Compliance Audit web page?</p> <p><u>Auditor notes</u></p> <p><i>Check for documentation omissions e.g. dated valuation, consultants appointment etc. CFG - Programme Management - Reporting and audit requirements - 7.3.1 comprehensive scheme file</i></p>
3	<p>Is there a valid valuation report for the site/property acquired, undertaken by a valuer with an appropriate RICS qualification?</p> <p><u>Auditor notes</u></p> <p><i>Refer to the list of requirements on the Compliance Audit web page.</i></p> <p><i>Please note that a valuation figure is required even for historic purchases, where these are "acquisition and works" schemes.</i></p> <p><i>A valuation is not required for "works only" schemes.</i></p> <p><i>Validity periods may vary according to changes in RICS guidance and individual</i></p>

	<p><i>practices. IAs must ascertain whether the valuation was valid at exchange of contracts.</i></p> <p><i>Written confirmation that an out of date valuation remains valid would be sufficient provided that it is an official letter from the valuer, for example on headed paper and/or bearing company stamp.</i></p> <p><i>CFG - Programme Management - Reporting and audit requirements - 7.3.1 comprehensive scheme file</i></p>
4	<p>For affordable and social rent properties – do rents being charged meet the requirements set out in the CFG?</p> <p><u>Auditor Notes</u></p> <p><i>See requirements set out in CFG – 4. Housing for Rent</i></p>
SECURITY OF GRANT	
5	<p>For owned and leased properties, has the provider obtained a secure legal interest, as defined in the AHP Contract/CFG, prior to first grant claim?</p> <p><u>Auditor notes</u></p> <p><i>For owned properties: Check exchange/completion dates of purchase contracts.</i></p> <p><i>Check for solicitor based evidence that; completion has taken place at the agreed sum and confirmation is dated post completion. Are completion certificates or proof of ownership dated before first grant claim?</i></p> <p><i>For lease properties: Check for solicitor's written confirmation that any letter is legally binding and the term of the lease is in accordance with published guidance.</i></p> <p><i>For lease and repair properties, ensure the lease covers a minimum five year term.</i></p> <p><i>Was a lease signed on agreed terms before first grant claim? If not, confirm in comments section if there was a legally binding letter confirming agreement to lease.</i></p> <p><i>For Empty Homes, ensure grant recovery rules fully applied and check that solicitor has confirmed a grant recovery mechanism within the lease.</i></p> <p><i>CFG - Finance - Grant Claims and Payments - 3.1 (Includes guidance as to the definition of secure legal interest and provisions covering where Providers do not own the land)</i></p>
6	<p>Does the land/property have either of the following:</p> <ul style="list-style-type: none"> • 'good title'; or • defective title indemnity insurance in favour of the grant recipient, with a limit of indemnity equal to at least firm scheme grant for the site? <p><u>Auditor notes</u></p> <p><i>Checks to include freehold, leasehold and any empty homes.</i></p> <p><i>Check solicitor's report on title or lease if one has been prepared, and a copy of the Land Registry extract.</i></p> <p><i>Please note that, where an acquisition grant claim is being made, the provider must have either the freehold or long leasehold interest prior to drawing down grant. A conditional interest and/or indemnity insurance would be insufficient.</i></p> <p><i>CFG - Procurement and Scheme Issues - Acquisition - 5.3 Property title</i></p>
7	<p>Have both of the following been achieved prior to the first grant claim:</p> <ul style="list-style-type: none"> • the main building contract has been signed and dated, and • contractual possession of the site has passed to the contractor? <p><u>Auditor notes</u></p>

	<p><i>Check site possession date recorded in signed and dated building contract. Letter of intent unacceptable. If dates do not reconcile, record detail and reason.</i></p> <p><i>Where the building contract is signed by a legal entity other than the provider, for example a development company, this may be acceptable where the entity is a wholly controlled subsidiary. The IA should establish whether the provider has sufficient oversight of the entity's board and control over its business decisions.</i></p> <p><i>Please note that, where the first grant claim is an acquisition tranche, the provider will need to have the freehold or long leasehold interest, not merely a conditional interest, prior to drawing down grant.</i></p>
8	<p>Taking into account agreed extensions of time in line with building contract provisions, was the completion certificate/independent certification issued before the date of final PCF grant claim?</p> <p><u>Auditor notes</u></p> <p><i>Check certificate date against final cost/PCF claim date and that it corresponds to the building contract.</i></p> <p><i>Check that CFG definition of Partial Possession/Practical Completion met prior to final grant claim</i></p> <p><i>CFG – Programme Management – 4.2.7 and CFG – Finance – 3.6</i></p>
9	<p>Has Provider's group insurance been updated to include new scheme(s) during development and thereafter for its Full Replacement Value?</p> <p><u>Auditor Notes</u></p> <p><i>In some cases, alternative arrangements may be in place, such as using the contractor's insurance during development, or a group insurance that covers a portfolio value rather than specific property. Such arrangements may be sufficient, where they provide adequate insurance cover for the Full Replacement Value.</i></p> <p><i>CFG – Procurement and Scheme Issues - 3.4</i></p>
10	<p>Does key cost data entered in 'Schemes' area of IMS ('capital details', 'scheme milestones' and 'scheme development code' screens) along with any updates in the Profile line, match scheme file evidence?</p> <p><u>Auditor notes</u></p> <p><i>Check IMS final cost information against supporting filed evidence to confirm accuracy of data entry and eligibility of costs. (Record detail, e.g. dates and payments from IMS screen data).</i></p> <p><i>IMS should match the cost figures known at time of scheme handover/final claim; and the evidence on file should support the figures entered into IMS. Once costs are finalised (which could be months later) differences can be recorded in the Scheme Comment on IMS; or, if this is not available, in the Profile line.</i></p> <p><i>CFG - Programme Management - Scheme administration and data collection - 3.4</i></p>
IMS DATA	
11	<p>Is evidence available to confirm that submitted scheme details of number of homes, scheme types, tenancies, size, needs categories, occupancy and location accord with the approved scheme details and those held on file?</p> <p><u>Auditor notes</u></p> <p><i>Check IMS submission against building contract details, scheme approval and PC approval. (Record detail, e.g. dates and payments from IMS screen data.)</i></p>

12	<p>Interim payment (Acquisition and/or Start on Site)/final cost (Practical Completion) claims – were IMS scheme details submitted in accordance with published guidelines set out in the relevant contract and CFG?</p> <p><u>Auditor notes</u></p> <p><i>Ensure payment date(s) entered in IMS milestones correspond to relevant documentation.</i></p> <p><i>Firm scheme details to be submitted not less than 5 days prior to the projected Start on Site date, unless agreed with Homes England (in which case, confirm documentation seen, its date and who has authorised). Exceptions apply for schemes brought forward to 14-15.</i></p>
13	<p>Are IMS rent figures the same as the actual rents charged?</p> <p><u>Auditor notes</u></p> <p><i>Check IMS rent figures against tenancy agreement. If they do not match:</i></p> <ul style="list-style-type: none"> • <i>state actual rents and those on IMS.</i> • <i>note % of discrepancy and whether more or less than actual.</i> • <i>confirm any reason for discrepancy.</i> • <i>include Provider explanation – and be aware of IMS 52.12 week rent rules and potential inclusion of service charges.</i>
QUALITY AND REGULATION	
14	<p>Were all necessary planning consents obtained by Practical Completion? i.e.</p> <ul style="list-style-type: none"> • Was detailed planning permission granted prior to initial grant claim? • Were all reserved matters/conditions precedent signed off by the planners prior to the completion of the development? <p><u>Auditor notes</u></p> <p><i>Providers may use the ‘deemed discharge’ route to confirm that planning conditions are no longer outstanding.</i></p> <p><i>Ensure all necessary consents obtained at an appropriate stage of the development.</i></p> <p><i>If not, seek evidence that:</i></p> <ol style="list-style-type: none"> <i>a) steps have been taken to obtain them</i> <i>b) the delay is only due to late issue by the Local Planning Authority, and</i> <i>c) There is no known reason why consents won’t be given or issued.</i> <p><i>In the event of planning consent not being granted before audit, note the detail of planning condition discharge outstanding (if applicable) and attach planning approval notice for reference.</i></p>
15	<p>Was the final certification required under building regulations obtained prior to development completion?</p> <p><u>Auditor notes</u></p> <p><i>Check for earlier submission approval/correspondence, pertinent certified dates and third party certification e.g. NHBC Buildmark, if appropriate, to confirm sign off.</i></p> <p><i>If building regulations sign off has not been achieved at time of audit, note the regulation to be discharged and reason for non-discharge.</i></p>
16	<p>Where required, were other specified consents obtained for the relevant works?</p> <p><u>Auditor notes</u></p> <p><i>Check if other consents apply and if they were obtained e.g. party wall award, listed building consent, permission to demolish, Environment Agency remediation plan etc.</i></p>

17	<p>Where there is documented evidence of factors that may adversely affect mortgageability, have relevant expert reports been obtained?</p> <p>For example:</p> <ul style="list-style-type: none"> • NHBC Buildmark certification/equivalent. • Valuation • Structural report • Site investigation • Solicitor's report <p><u>Auditor notes</u></p> <p><i>Check filed documentation, noting which documents have been seen and their date.</i></p> <p><i>House builder warranties/CML cover notes must be available on completion.</i></p>
18	<p>Whole Life Costs – is there evidence of assessment?</p> <p><u>Auditor notes</u></p> <p><i>Whole life costs are not required on IMS but are recommended. Where whole life costs data has been submitted on IMS, check that calculations exist to support their accuracy. (For Empty Homes schemes, check relevant components have been specified for the required longevity of the refurbished scheme.)</i></p>
19	<p>Has one of the following been adopted:</p> <ul style="list-style-type: none"> • 2012 Construction Commitments (Affordable Housing Provider version) principles or • subsequent Clients Commitments Best Practice Guide been adopted? <p><u>Auditor notes</u></p> <p><i>Please see link to best practice guide:</i></p> <p>http://constructingexcellence.org.uk/wp-content/uploads/2017/04/Client-Commitments-Final_May-2014.pdf</p> <p>Further detail is available at: http://constructingexcellence.org.uk/resources/client-commitments/</p> <p><i>Check supporting filed evidence to indicate that the principles have been considered strategically and are being adopted appropriately as a result, i.e. implemented and actively monitored at a proportionate scale.</i></p> <p><i>Developer partners do not have to adopt the 2012 Construction Commitments, though where they do, this should be noted as it remains good practice.</i></p> <p><i>CFG - Finance - Funding Conditions</i></p>
20	<p>Where there are variations to agreed submitted standards, have these been authorised by Homes England?</p> <p><u>Auditor notes</u></p> <p><i>Check files against submitted and agreed standards in IMS to ensure that any variations have been agreed by Homes England. (Record documentation seen, who has authorised this and date authorised).</i></p>
SALE	
21	<p>Shared Ownership - Have the fundamental clauses set out in the Shared Ownership chapter of the AHCFG at 5.2 been included in shared ownership leases?</p> <p><u>Auditor notes</u></p>

	<p>Check the lease against CFG required clauses.</p> <p>CFG - Help to Buy: Shared Ownership – Leases – 5.2</p>
22	<p>Shared Ownership - Has the Provider carried out a suitable financial assessment of every applicant and are these filed for audit purposes?</p> <p><u>Auditor notes</u></p> <p>Check that the Homes England affordability toolkit or equivalent has been used.</p>
23	<p>Shared Ownership - do applicants meet the following eligibility requirements?</p> <ul style="list-style-type: none"> • Unable to purchase suitable property without assistance. • Can afford mortgage costs. • Encouraged to purchase maximum affordable share. <p><u>Auditor notes</u></p> <p>Check for filed evidence issues have been properly considered.</p>
24	<p>Shared Ownership - Has the Provider prioritised applicants' access to this product according to the priority order set out in the CFG - specifically 3.2 of the Shared Ownership chapter?</p> <p><u>Auditor notes</u></p> <p>Check filed evidence against the CFG applicant eligibility section.</p> <p>CFG - Help to Buy: Shared Ownership - Applicant Eligibility – 3.2</p>
SPECIALISED HOUSING	
25	<p>Empty Homes - Has the property been unoccupied for at least six months prior to funding application?</p> <p><u>Auditor notes</u></p> <p>Ensure supporting filed evidence e.g. owner letter or council tax exemption.</p>
26	<p>Empty Homes - The property is not an existing social home owned by the Provider or another Provider (e.g. Local Authority or housing association)?</p> <p><u>Auditor notes</u></p> <p>Ensure supporting filed evidence.</p>
27	<p>Supported housing/housing for older people - Do the client groups housed reflect the published group definitions?</p> <p><u>Auditor notes</u></p> <p>Check filed evidence and IMS submission, refer to the relevant prospectus; Housing for Vulnerable and Older People: supplementary information for definitions.</p>
28	<p>Traveller pitches - Does the scheme match the Homes England traveller pitch standard definition?</p> <p>Each pitch includes at least:</p> <ul style="list-style-type: none"> • An amenity building, or suitable equivalent facility, • Access to utilities • Hard standing area for large trailer/caravan • Parking for one vehicle • Drying space for clothes <p><u>Auditor notes</u></p> <p>Check supporting filed evidence. If scheme is not a standard type check for evidence of</p>

	<i>fixed sleeping accommodation.</i>
CARE AND SUPPORT SPECIALISED HOUSING FUND Phase 2 (CASSH2)	
29	<p>Does the scheme offer:</p> <ul style="list-style-type: none"> • Its own front door (see note*)? • Flexibility to adapt/install home equipment or adaptive technology? • Varying levels of resident personal care and support? • Communal areas? (For older persons housing). <p><u>Auditor notes</u></p> <p><i>Ensure supporting filed evidence.</i></p> <p><i>*It is generally expected that all schemes funded under CASSH2 will be individual dwellings with their own front door. However, under phase two schemes for people with mental health needs or learning difficulties who would more suitably be housed in a shared home with care will be considered by exception. It is not expected that these homes will be large multi-unit buildings.</i></p>
30	<p>Do the residents/clients reflect the published group definitions?</p> <ul style="list-style-type: none"> • Older people with care and support needs; including those suffering from dementia. • Adults with learning difficulties; including autism. • Adults with physical or sensory disabilities. • Adults with mental health problems. <p><u>Auditor notes</u></p> <p><i>Ensure supporting filed evidence.</i></p>
31	<p>Do the service charges included in the rent only cover building related charges?</p> <p><u>Auditor notes</u></p> <p><i>Ensure supporting filed evidence and any personal care/support charges are excluded from the service charges.</i></p>
PLATFORM for LIFE and HOMELESSNESS CHANGE	
32	<p>Has the contractual requirement to register a restriction on title with Land Registry, indicating a requirement to gain Homes England consent to dispose, been met?</p>
MANAGEMENT	
33	<p>Where the Provider has entered into a management agreement with a managing agent, is it satisfied that:</p> <ul style="list-style-type: none"> • The agent is viable? • Aims are compatible? • Capacity, experience and resources are available, in line with responsibilities? <p><u>Auditor notes</u></p> <p><i>Check filed evidence and IMS submission to substantiate.</i></p>
34	<p>Do the management agreement terms allow the Provider to:</p> <ul style="list-style-type: none"> • Retain overall responsibility for scheme financial control? • Monitor property condition and occupancy? • Let rented homes on a written tenancy agreement between the Provider and the occupant? • Issue SO leases to purchasers? <p><u>Auditor notes</u></p>

	<i>Check filed evidence and IMS submission to substantiate.</i>
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