



Homes  
England

Making homes happen

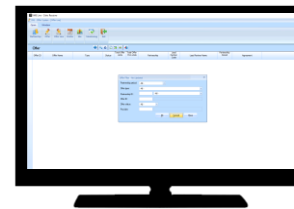
# Compliance Audit Checklist Aid

## 2020

DRAFT

# Introduction

- The Capital Funding Guide, the contract with Homes England and the prospectus are what set the requirements providers should be guided by at all times when delivering a particular programme funded by Homes England
- The Compliance Audit checklist is designed to test that key contractual requirements and funding conditions have been met. It is revised annually and the set of questions for the forthcoming Compliance Audit programme is published on the [CA website](#) in advance of the start date
- During the audit, the Independent Auditor checks each scheme for compliance using questions from Homes England published Compliance Audit checklist
- **This guide is intended to support providers and independent auditors, during the audit process for the SOAHP. It is however not intended to be used as a guide to contractual requirements and funding conditions. For guidance on these providers need to refer to the Capital Funding Guide, their contract and programme prospectus**
- The purpose of this document is to assist providers in making available the required documentation and evidence to independent auditors and to assist independent auditors in ensuring they have sufficient documentation and evidence to answer the questions in the Compliance Audit checklist. The content covers a selected number of questions from the Compliance Audit checklist, specifically those where more breaches have occurred in previous years



# Categories in CA Checklist

GENERAL

DEVELOPMENT STAGE

SPECIFIC PROGRAMME

GENERAL

- Scheme file; Cost data; Planning obligation; Scheme details; Variations

PRE-DEVELOPMENT

- Valuation - excluding 'works only' schemes

DEVELOPMENT

- Secure legal interest; Good title; Building contract; Contractual possession of the site; Insurance

POST-DEVELOPMENT

- The completion certificate; Insurance for the completed scheme; Rents; Planning consents; Management Agent & URB checks

SALE

- Shared Ownership – Lease agreement; Affordability assessment; Eligibility requirements

STRATEGIC PARTNERSHIPS

- Financial Audit outcome; Scheme details in IMS

SPECIALISED HOUSING

- The property's previous tenure; Homes England standard definitions, for example Travellers pitches; Restriction on title

MOVE ON

- Standards

CARE AND SUPPORT SPECIALISED HOUSING FUND Phase2 (CASSH2)

- Standards; Residents; Service Charges

ADDITIONAL

- Contract requirements

## 2020-21 Compliance Audit Checklist

2015-18 AHP, 2016-21 SOAHP, CASSH Phase 2, Platform for Life, Homelessness Change Programmes, Move On Fund and Strategic Partnership Programme



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.

### GENERAL

- |   |   |
|---|---|
| 1 | <p>Has a comprehensive scheme file been provided containing all relevant documents as set out in the <a href="#">CFG</a>? If no, please provide details of what documents are missing.</p> <p><b>Auditor notes</b></p> <p>Check for documentation omissions e.g. dated valuation, consultant's appointment etc.</p> <p>For Strategic Partners where there is a Delivery Partner, check the Agreement between the Strategic Partner and Delivery Partner is held on file.</p> <p>NB - Attachments are required only to support specific audit findings or to evidence any mitigating circumstances. There is no requirement to upload complete scheme file as a matter of course.</p> <p>CFG - Programme Management - Reporting and audit requirements - 7.3.4, comprehensive scheme file</p>  |
| 2 | <p>Does key cost data entered in IMS, along with any updates, match scheme file evidence?</p> <p><b>Auditor notes</b></p> <p>Check final cost information in system against supporting filed evidence to confirm accuracy of data entry and eligibility of costs. (Record detail, e.g. dates and payments from screen data)</p> <p>System should match the cost figures known at time of scheme handover/final claim; and the evidence on file should support the figures entered into the system. Once costs are finalised (which could be months later) differences can be recorded in the Scheme Comment on the system.</p> <p>For Strategic Partners, where the phase is part of a larger site, evidence of the cost apportionment needs to be on file.</p> <p>NB – this question applies equally to both look-back and in-year schemes. Data should be kept up to date and accurate at all stages of development, so far as is reasonably practicable.</p> <p>CFG - Programme Management - Scheme administration and data collection – section 3</p> |

# Submitting findings - good practise guide



Less is more.

Attachments are required only to support specific audit findings or to evidence any mitigating circumstances. There is no requirement to upload the complete scheme file as a matter of course.



Use your time wisely.

Plan for additional time to find necessary evidence should the scheme file happen to be incomplete.



Communicate.

Independent Auditor, although not allowed to discuss findings with the provider, should ask additional questions if provided evidence raises any doubts.



Stay focused.


The Providers should take time to read IA findings as soon as they are submitted in the CA system.

They should use the 10 days window to add any additional comments or missing evidence. Please be aware that this is the last chance the Providers can influence audit outcome.

# Supporting Evidence

- The next slides discuss in more details specific requirements and suggest where to store or look for the evidence that is being checked during Compliance Audit programme
- For some questions, accuracy of the details held in IMS is checked by comparing them against data held in a Scheme File
- For other questions, a validation of contract documents, valuations and other key documents held on file is investigated and then compared against grant payment dates



<b>2020-21 Compliance Audit Checklist</b> 	
2015-18 AHP, 2016-21 SOAHP, CASSH Phase 2, Platform for Life, Homelessness Change Programmes, Move On Fund and Strategic Partnership Programme	
<b>For use by 'Independent Auditors' undertaking self-assessment compliance audits under Affordable Homes Programme and Shared Ownership and Affordable Homes Programme Contracts</b>	
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.	
GENERAL	
1	<p><b>Has a comprehensive scheme file been provided containing all relevant documents as set out in the CFG? If no, please provide details of what documents are missing.</b></p> <p><u>Auditor notes</u></p> <p><i>Check for documentation omissions e.g. dated valuation, consultant's appointment etc.</i></p> <p><i>For Strategic Partners where there is a Delivery Partner, check the Agreement between the Strategic Partner and Delivery Partner is held on file.</i></p> <p><i>NB - Attachments are required only to support specific audit findings or to evidence any mitigating circumstances. There is no requirement to upload complete scheme file as a matter of course.</i></p> <p><i>CFG - Programme Management - Reporting and audit requirements - 7.3.4 comprehensive scheme file</i></p>
2	<p><b>Does key cost data entered in IMS, along with any updates, match scheme file evidence?</b></p> <p><u>Auditor notes</u></p> <p><i>Check final cost information in system against supporting filed evidence to confirm accuracy of data entry and eligibility of costs. (Record detail, e.g. dates and payments from screen data)</i></p> <p><i>System should match the cost figures known at time of scheme handover/final claim; and the evidence on file should support the figures entered into the system. Once costs are finalised (which could be months later) differences can be recorded in the Scheme Comment on the system.</i></p> <p><i>For Strategic Partners, where the phase is part of a larger site, evidence of the cost apportionment needs to be on file.</i></p> <p><i>NB – this question applies equally to both look-back and in-year schemes. Data should be kept up to date and accurate at all stages of development, so far as is reasonably practicable.</i></p> <p><i>CFG - Programme Management - Scheme administration and data collection – section 3</i></p>

## Question 1

Has a comprehensive scheme file been provided containing all relevant documents as set out in the CFG? If no, please provide details of what documents are missing.

### REQUIREMENT:

CFG - Programme Management - Reporting and audit requirements - 7.3.4 comprehensive scheme file

### EVIDENCE:

Scheme file

- Scheme file should consist of all documents that relate to a particular scheme
- It should evidence the scheme progress and changes which occurred through the scheme development timeframe
- The list of documents vary depending on programme type and processing route, therefore special attention should be given to this by providers when compiling scheme records.

Insurance Certificates

Building Contract

Planning Permission

Purchase Contract

Key cost data (estimates vs actuals)

Rental Valuation Report

Records of Scheme details:

- number of homes
- unit sizes
- scheme type
- tenure type

Financial Data

Market Valuation Report

## Question 2

Does key cost data entered in the system, along with any updates, match scheme file evidence?

### REQUIREMENT:

CFG - Programme Management - Scheme administration and data collection

### EVIDENCE:

IMS vs Scheme file

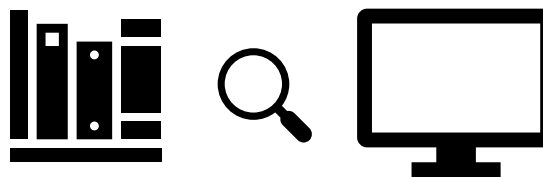
IMS steps: Profile Scheme → Profile → Scheme Costs

Profile		Organisations		Unit Details		Capital Contributions		Scheme Costs		Scheme Forecast		Equalities		Quality & Other Analysis	
A. Public land	No														
B. Purchase Price	207,500														
C. Has the price been marked down in your account?	No														
D. Current Value	207,500														
E. Acquisition cost (=D)	207,500														
F. Works cost	27,365	Works cost per m2	391												
G. On costs	5,383														
H. Total scheme cost (E+F+G)	240,248														
H. Total scheme cost (E+F+G)	240,248														
I. Capital contributions	240,248														
J. Transfer value															
K. Funding requested	0														
L. Surplus/Deficit (H - (I+J+K))	0														

Changes to schemes' actual costs should be recorded within IMS once known.

There is the facility to change the variables at the milestone stages of start on site and practical completion even if grant has been paid.

IMS guidance about scheme / profile changes at [IMS scheme processing](#) (pages 45 to 52).



## Question 3

Is evidence available to confirm that submitted scheme details of number of homes, scheme types, tenure type, size, needs categories, occupancy and location accord with the approved scheme details and those held on file?

### REQUIREMENT:

CFG - Programme Management – Changes to agreed allocations

### EVIDENCE:

IMS vs Scheme file (IMS submission against building contract details, scheme approval and PC approval)

IMS steps: Profile Scheme → Profile → Unit Details →  
Double click on Unit ID → Unit Detail

The screenshot shows the 'Unit Detail' form in the IMS system. The form includes fields for 'What type of housing does this unit provide?' (General Needs), 'Specialist housing type', 'Supported/Older People housing type', 'S.106', 'No. units', 'No. bedrooms per unit', 'Rent terms', 'Building Type', 'Facilities', 'Works type', 'Custom Build?', and 'Number of stores per dwelling'. A validation message table is displayed at the bottom of the form.

Group Name	Message	Error Reference
Material Change - Number of Units	The proposed total number of units 4 for all lines in this version is different to the approved number of units 5 at profile level	
Change - Unit Information	The proposed unit data for firm scheme line (34385) is different to the unit data in the approved version of this scheme line	34385
Material Change - Section 106 Units	The proposed number of non S106 units 4 for all lines in this version is different to the number of non S106 units 5 for all lines in the approved version	

There is the facility to change the variables during the life of the scheme and at milestone stages.

The nature of the change will determine whether it needs the approval of Homes England.

Providers need to update IMS as and when plans change.

See IMS guidance about scheme / profile changes at [IMS scheme processing](#)



## Question 8

Is there a valid valuation report for the site/property acquired, undertaken by an independent valuer with an appropriate RICS qualification? If no valid valuation or valuation not required, please provide details.



### REQUIREMENT:

CFG - Programme Management - Reporting and audit requirements - 7.3. Audit Requirements



### EVIDENCE:

Scheme file



#### **A valuation is required even for historic purchases**

Written confirmation that an out of date valuation remains valid would be sufficient provided that it is an official letter from the valuer



#### **Valuations should be carried out by an independent, RICS accredited / registered valuer**

This registration provides the necessary professionalism, independence, quality assurance, consistency and ethical standards and provides overarching regulatory requirements



#### **Valuations should be carried out in accordance with the RICS Red Book which sets out the standards to be followed**

In addition, any other relevant RICS guidance should be adhered to. For example, they have issued various practice notes in the last couple of months to account for the COVID-19 implications and what processes can be followed that would still meet with RICS requirements and standards

## Question 9

For owned and leased properties, has the provider obtained secure legal interest, as defined in the Contract /CFG? For AHP, the provider must obtain secure legal interest prior to first grant claim. For Strategic Partnerships, the provider must obtain secure legal interest before the Site is made active in the system. If no, please provide details.

### REQUIREMENT:

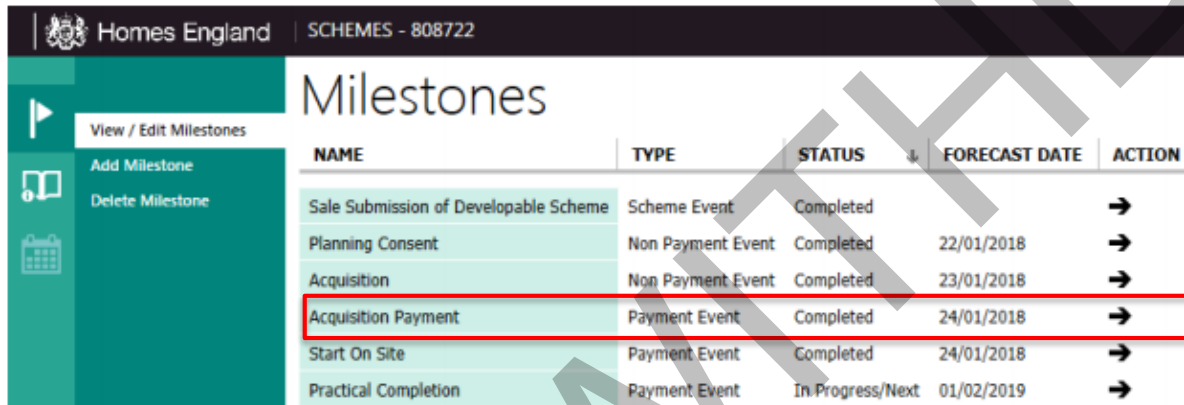
CFG – Finance – Grant Claims and Payments – 3.1

### EVIDENCE:

IMS vs Scheme file

IMS steps:

Profile Scheme → Profile → Scheme ID → View/Edit Milestones



NAME	TYPE	STATUS	FORECAST DATE	ACTION
Sale Submission of Developable Scheme	Scheme Event	Completed		→
Planning Consent	Non Payment Event	Completed	22/01/2018	→
Acquisition	Non Payment Event	Completed	23/01/2018	→
Acquisition Payment	Payment Event	Completed	24/01/2018	→
Start On Site	Payment Event	Completed	24/01/2018	→
Practical Completion	Payment Event	In Progress/Next	01/02/2019	→

- The contractor must have entered into a legally binding contract covering the whole of the works required for the development. A letter of intent is not acceptable
- Secure legal interest must be in the exact name of the party claiming the grant. Exception to this see CFG (10. Finance / 3. Grant claims and payments / 3.5 Start on Site – grey areas)



## Question 11

Have both of the following been achieved prior to Start on Site claim

- the main building contract has been signed and dated
- contractual possession of the site has passed to the contractor?

### REQUIREMENT:

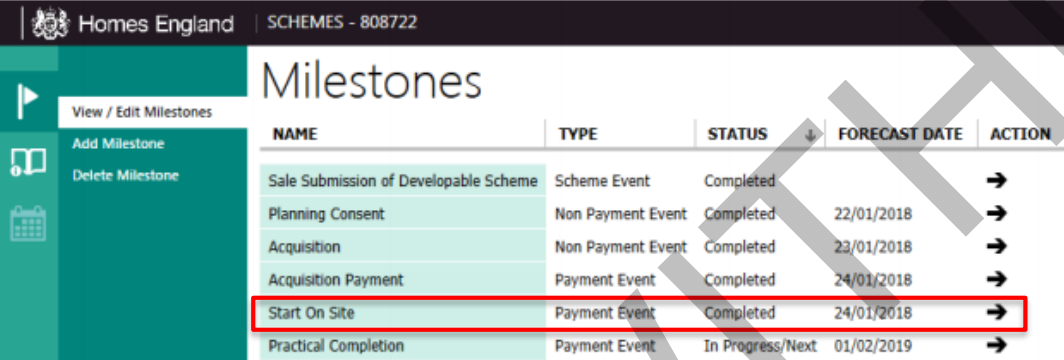
CFG – Finance – Grant Claims and Payments – 3.4

### EVIDENCE:

IMS vs Scheme file

#### IMS steps:

Profile Scheme → Profile → Scheme ID → View/Edit Milestones



NAME	TYPE	STATUS	FORECAST DATE	ACTION
Sale Submission of Developable Scheme	Scheme Event	Completed		→
Planning Consent	Non Payment Event	Completed	22/01/2018	→
Acquisition	Non Payment Event	Completed	23/01/2018	→
Acquisition Payment	Payment Event	Completed	24/01/2018	→
Start On Site	Payment Event	Completed	24/01/2018	→
Practical Completion	Payment Event	In Progress/Next	01/02/2019	→

#### Start on site

The start on site or first tranche grant claim, which applies as a payment event only to eligible schemes delivered by eligible providers where start on site is achieved, is triggered by the date when:

- The provider and the building contractor have entered in to a building contract
- The building contractor takes possession of the site or property
- The works have commenced

For purchases of empty homes on the open market ('Existing Satisfactory' or 'Purchase & Repair'), if the works are being carried out by in-house organisation, then we would advise that start on site would be when a schedule of works is agreed and can be evidenced, possession of the property has been secured and works have commenced.

## Question 15

For Affordable and Social Rent, Rent to Buy and Specialist Rent properties – do rents being charged meet the requirements set out in the CFG? If rents charged do not meet the requirements, please provide details. If no, please explain the reasons, or write “not an Affordable or Social Rent, Rent To Buy or Specialist Rent scheme” as appropriate

 REQUIREMENT:

CFG – Housing for Rent

 EVIDENCE:

Scheme file

Social Rent policy is subject to the [Regulator's Rent and Tenancy standards](#) and, social rent levels should be calculated according to a formula based on relative property values and relative local earnings.

Social rents are calculated using the formula and data set out in the [Ministry of Housing, Communities and Local Government's Guidance on Rent for Social Housing](#) (for local authorities), and in [The Regulatory Framework for Social Housing in England from 1 April 2015](#) - and the Rent Standard (including the Rent Standard Guidance) in [The Regulatory Framework for Social Housing in England from 1 April 2015](#) for private registered providers.

### Affordable Rent

The maximum rental level for Affordable Rent should be no more than 80% of gross market rent (inclusive of service charges)

More detailed information on Affordable Rents can be found at:

The Regulator of Social Housing's [Rent Standard \(April 2020\)](#) - paragraphs 3.10 to 3.14 and [Policy statement on rents for social housing](#), chapter 3



## Question 16

For Affordable and Social Rent and Rent To Buy and Specialist Rent properties - do rent figures entered in the system correspond to the rents charged? If no, please explain the reasons, or write "not an Affordable or Social Rent, Rent To Buy or Specialist Rent scheme" as appropriate.

### REQUIREMENT:

CFG – Programme Management - Scheme administration and data collection

### EVIDENCE:

IMS vs Scheme file

#### IMS steps:

Profile Scheme → Profile → Unit Details → Double click on Unit ID → Rent

The screenshot shows the 'Rent' tab in the IMS system. It displays the following data:

Field	Value
Expected market value (£):	65,000
Prospective rent per week inclusive of all charges (£):	74.93
Market Rent pw (£):	93.66
Prospective rent as % of Market Rent inclusive of all charges:	80.00

Below the table, there is a checkbox labeled "Target rent plus service charges exceeds 80% of the market rent." which is currently unchecked.

Providers are required to enter weekly rents into IMS, which are then converted into annual rents in slightly different ways depending on the programme and tenure for slightly different purposes

**The compliance audit check should just be comparing the weekly rent providers enter with the weekly rent that they are charging**

Please refer to the next slide for more details

# IMS rent calculations

It is not the intention that any of these IMS calculations should have an effect on the provider's rent setting policy, or that they have to use their annual rent to calculate their weekly rent on the same basis as IMS does.

**For SOAHP 16-21, for rent properties, the provider is required to enter the weekly rent for the property according to what they are charging.**

For compliance audit purposes, as long as the provider can 'show their working' and provide the rent conversion/ calculation figure for any discrepancy between the rent in the system and the rent being charged then this should not result in a breach.

Question Number	Checklist Category	Question Text	AHP 15-18	SOAHP 16-21	Strategic Partnership Programme
16	POST-DEVELOPMENT	For Affordable and Social rent and rent To Buy and Specialist rent properties - <b>do rent figures entered in the system correspond to the rents charged?</b> If no, please explain the reasons, or write "not an Affordable or Social rent, rent To Buy or Specialist rent scheme" as appropriate.	The system uses 52.12 weeks (this is hard coded) to calculate the annual rent from the weekly rent that the user enters. This is then used to estimate the net annual rental income from the property.	The system no longer calculates the annual income from the weekly rent- the user is just asked to enter a weekly rent and we don't provide any instructions on the conversion calculation to use	The system asks for users to enter the weekly rent with instructions to use the annual rent and divide by 52.18.  The system has no hard coded calculations but the instructions are displayed in bold on the screen where the rent is enter.

# Compliance Audit - Checklist changes for 20/21

New Number 2020/21	Old Number 2019/20	CHECKLIST QUESTION	Category	CHANGES vs 19/20
N/A	9	Were all IMS scheme details submitted in accordance with published guidelines set out in the relevant contract and CFG? If no, please give details.	PRE-DEVELOPMENT	DELETED
19	N/A	Is there a managing agent?	POST-DEVELOPMENT	NEW
23	N/A	Does the scheme include any Shared Ownership units?	SALE	NEW
28	N/A	Were all scheme/phase details submitted in accordance with published guidelines set out in the relevant contract and CFG? If no, please give details.	STRATEGIC PARTNERSHIPS	NEW
29	N/A	Has a financial audit been completed on this site? If yes, please provide details of any findings/ issues identified	STRATEGIC PARTNERSHIPS	NEW
N/A	29	Supported housing/housing for older people - Do the client groups housed reflect the published group definitions? If no, please provide details	SPECIALISED HOUSING	DELETED
32	N/A	Traveller pitches - has the contractual requirement for providers to register a restriction on title with Land Registry, indicating a requirement to gain Homes England consent to dispose, been met? If no, please provide details	SPECIALISED HOUSING	NEW
33	N/A	Move On - Does the scheme offer the required type of accommodation?	MOVE ON	NEW
34	N/A	Move On - (For schemes providing accommodation to survivors of domestic abuse) Does the scheme comply with the 'Move On Standard'?	MOVE ON	NEW
N/A	34	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?	PLATFORM for LIFE and HOMELESSNESS CHANGE	DELETED

If you have any questions,  
email us at:  
**ComplianceAudit@HomesEngland.gov.uk**