



2023-24 Compliance Audit Checklist

For schemes delivered through Strategic Partnerships Contracts

Relevant Programmes: 2016-21 SOAHP, 2021-26 AHP

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

Applies only to schemes delivered through Strategic Partnership 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.

Please note the numbers below will not correspond with the numbers of the questions presented in the audit compliance system for individual schemes selected for audit.

GENERAL

1 Has a comprehensive scheme file (or equivalent) been provided containing all relevant documents as set out in the CFG?

If no, please provide details of what documents are missing.

Auditor Notes

Check for documentation omissions e.g. dated valuation, consultant's appointment etc.

Where there is a delivery Partner, check the agreement between the strategic partner and delivery partner is held on file.

NB - 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.

For more information, read, CFG [Programme Management – Reporting and audit requirements – 7.3.4.](#)



2	<p>Was planning permission FREE from condition(s) that would make development ineligible for grant funding?</p> <p>If NO, please provide details.</p> <p><i>Auditor Notes</i></p> <p>For more information, read CFG <u>Procurement and Scheme Issues – Planning Permission and Building Regulations – 7.2.</u></p>
3	<p>Where required, were other specified consents obtained for the relevant works?</p> <p>If no, please explain the reasons, or select “No other specified consents applied” as appropriate.</p> <p><i>Auditor Notes</i></p> <p>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.</p>
4	<p>Where there is documented evidence of factors that may adversely affect mortgageability, have relevant expert reports been obtained and where applicable has necessary warranty been documented?</p> <p>If there is no documented evidence of factors, select “There is no documented evidence of factors that may adversely affect mortgageability”.</p> <p>If there is documented evidence and relevant expert reports have been obtained/ warranty been documented select YES and provide an explanation of what these factors were and how the risks associated with them were mitigated.</p> <p>For example:</p> <ul style="list-style-type: none">• NHBC Buildmark certification/equivalent• Valuation• Structural report• Site investigation• Solicitor’s report• Indemnity insurance <p>If there is documented evidence and relevant expert reports have NOT been obtained/ warranty been documented select NO and provide an explanation of what these factors were, and risks associated with them.</p> <p><i>Auditor Notes</i></p> <p>Check filed documentation, noting which documents have been seen and their date.</p>



House builder warranties/CML cover notes must be available on completion.

This question applies equally to both look-back and in-year schemes.

Attachments are required only to support specific audit findings or to evidence any mitigating circumstances.

For more information, read CFG [Procurement and Scheme Issues Procurement – 2.2.](#)

DEVELOPMENT

5 For owned and leased properties, has the provider obtained secure legal interest in the name of the grant recipient, as defined in the grant agreement /CFG (Finance – 3.1)?

The provider must obtain secure legal interest before the site is made active in the system.

If no, please provide details.

Auditor Notes

For owned properties: Check exchange/completion dates of purchase contracts. 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?

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.

For lease and repair properties, ensure the lease covers a minimum five-year term. 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.

For more information, read CFG [Finance - Grant Claims and Payments – 3.1 \(Includes guidance as to the definition of secure legal interest and provisions covering where Providers do not own the land\).](#)

6 Does the land/property have either of the following?

- 'Good title' as defined in the CFG (Procurement and Scheme Issues, 5.3)
- 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.

Auditor Notes

Checks to include freehold, leasehold and any empty homes.





	<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>For more information, read CFG Procurement and Scheme Issues – Property title – 5.3.</i></p>
7	<p>Have all the following been achieved prior to Start on Site being recorded on the IMS?</p> <ul style="list-style-type: none">• The main building contract / works order has been signed and dated• Contractual possession of the site has passed to the contractor• Start on site works have commenced <p>If any requirements have not been met, please provide details.</p> <p><u>Auditor Notes</u></p> <p><i>Check site possession date recorded in signed and dated building contract. If contract dates do not reconcile, record detail and reason.</i></p> <p><i>Homes England requires assurance that the contractor has entered a legally binding contract covering whole of the works required for the development. Therefore, a letter of intent, even where it creates a legal obligation to carry out part of the works or works up to a particular value, is not acceptable.</i></p> <p><i>Where the building contract is signed by a legal entity other than the grant recipient, for example a development company, this may be acceptable where the entity is a wholly controlled subsidiary. The IA should establish whether the grant recipient has sufficient oversight of the entity's board and control over its business decisions.</i></p> <p><i>The grant recipient will need to have the freehold or long leasehold interest, not merely a conditional interest, prior to drawing down grant.</i></p> <p><i>For more information, read CFG Finance – Grant claims and payments – 3.</i></p>
8	<p>Is/was adequate insurance in place during development to cover the scheme/site for the full cost of the works during development?</p> <p>Please provide full details of the insurance arrangements and clarify the adequacy of the arrangements for grant recipient and/or build contractor.</p> <p><u>Auditor Notes</u></p>



Arrangements such as a group insurance that covers a portfolio value rather than specific property may be sufficient, where they provide adequate insurance cover for the full replacement value.

Where the provider is a developer and isn't retaining ownership, the Deed of Adherence means that this question can be answered by the landlord.

Please note, Homes England expects the insurance arrangements to cover all of the required circumstances set out in the CFG.

For more information, read CFG [Procurement and Scheme Issues – Scheme types and requirements – 3.4](#).

POST-DEVELOPMENT

9

Does submitted scheme data match with IMS approved scheme data and data held on scheme/site file at date Practical Completion was approved on the IMS?

Auditor Notes

Check IMS submission against building contract details, scheme approval and PC approval.

For more information, read CFG [Programme Management – Scheme Administration – 3](#).

10

Was the Practical Completion certificate in place at the point of the Practical Completion being approved in IMS?

If no, please explain the reasons.

Auditor Notes

Check certificate date against the date final Practical Completion approved on the IMS system and that it corresponds to the building contract.

Check that CFG definition of Partial Possession/Practical Completion has been met where applicable.

For more information, read CFG [Programme Management – Milestones – 4.2.7](#) and CFG [Finance – Grant claims and payments – 3.6](#).

11

Is adequate insurance in place to cover the completed scheme / site for its full replacement value?

If no, please explain the reasons.



	<p><u>Auditor Notes</u></p> <p><i>Arrangements such as a group insurance that covers a portfolio value rather than specific property may be sufficient, where they provide adequate insurance cover for the Full Replacement Value.</i></p> <p><i>Where the provider is a developer and isn't retaining ownership, the Deed of Adherence means that this question can be answered by the landlord.</i></p> <p><i>Homes England expects the insurance arrangements to cover all of the required circumstances set out in CFG.</i></p> <p><i>For more information, read CFG Procurement and Scheme Issues – Scheme types and requirements – 3.4.</i></p>
12	<p>For Affordable Rent, Social Rent, Rent to Buy and Specialist Rent properties – do expected rents / or rents being charged meet the requirements set out in the CFG?</p> <p>If not a rent scheme, please select “not an Affordable Rent, Social Rent, Rent to Buy or Specialist Rent scheme”.</p> <p><u>Auditor Notes</u></p> <p><i>For more information, read CFG Housing for Rent – 4.</i></p>
13	<p>For Affordable Rent, Social Rent, Rent To Buy and Specialist Rent properties - do rent figures and tenures entered in the system correspond to all the rents charged at the point of site practical completion being approved on the IMS system.</p> <p>If not yet let, then do they match the expected rent and tenure?</p> <p>If no, please explain the reasons, or select “not an Affordable Rent, Social Rent, Rent To Buy or Specialist Rent scheme” as appropriate.</p> <p><u>Auditor Notes</u></p> <p><i>Please check and specify in the comments box, the weekly and the annual rent per tenancy agreement and then compare with the rents recorded in IMS system.</i></p> <p><i>If a difference is identified please state the reason and the percentage of discrepancy.</i></p> <p><i>Please note that 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, hence it is important to apply the correct conversion method in order to justify the reason for variance (if any)</i></p> <p><i>For each variant figure, if there are multiple different rent levels on the scheme, provide rents on the system and actual rents.</i></p> <p><i>For more information, read CFG Housing for Rent – 4.</i></p>



14	<p>Were all necessary planning consents obtained by Practical Completion? i.e. were all reserved matters/conditions precedent signed off by the planners prior to the completion of the scheme?</p> <p>If no, please explain the reasons, or select "No planning consents were required or reserved matters/conditions precedent" as appropriate.</p> <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 have been obtained by practical completion stage of the site.</i></p> <p><i>If not, seek evidence that:</i></p> <ul 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> <p><i>For more information, read CFG Procurement and Scheme Issues Planning Permission and Building Regulations – 7.2.</i></p>
15	<p>Were all the final certificates required under building regulations obtained by the grant recipient prior to site practical completion being approved on the IMS system?</p> <p>If no, please explain the reasons or select "No final certifications under building regulations were required".</p> <p><u>Auditor Notes</u></p> <p><i>Check all certification dates are prior to site practical completion.</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> <p><i>For more information, read CFG Programme Management – Milestones and CFG Finance – Grant claims and payments – 3.6.</i></p>
16	<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• Its aims are compatible with those of the provider• Appropriate capacity, experience and resources are available, in line with responsibilities





	<p>If no, please explain the reasons, or select “No management agreement” as appropriate.</p> <p><u>Auditor Notes</u></p> <p><i>Check filed evidence and IMS submission to substantiate.</i></p> <p><i>For more information, read CFG Programme Management – Management arrangements 6.3.</i></p>
17	<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 the SO leases to purchasers <p>If no, please explain the reasons, or select “No management agreement” as appropriate.</p> <p><u>Auditor Notes</u></p> <p><i>Check filed evidence and IMS submission to substantiate.</i></p> <p><i>For more information, read CFG Programme Management – Management arrangements 6.3.</i></p>
18	<p>Where applicable, 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> <p>If no, please explain the reasons, or select “No contractual requirement to register a restriction on title” as appropriate.</p> <p><u>Auditor Notes</u></p> <p><i>Please note the restriction would only apply where the URB is retaining ownership or where they have offered the land as security.</i></p> <p><i>Please check relevant grant agreement for details.</i></p>
SALE	
19	<p>Shared Ownership - Have all of the fundamental clauses set out in the Shared Ownership chapter of the CFG at Chapter 1, Shared Ownership section 5 (Leases) and section 11 (Model Leases) been included in shared ownership leases?</p> <p><u>Auditor Notes</u></p>





	<p><i>Registered Providers developing grant funded homes on Shared Ownership terms must ensure that their Shared Ownership leases are mortgageable and contain Homes England’s required fundamental clauses.</i></p> <p><i>Please check the following:</i></p> <ul style="list-style-type: none"><i>• The correct model lease has been used</i><i>• The correct fundamental clauses for the relevant funding programme have been used.</i><i>• The fundamental clauses have been used in an unaltered state including no changes to the defined terms (Note: unless Homes England permission for a lease variation is held on file.</i><i>• For homes funded through the AHP 2021 to 2026 that the Initial Repair Period is 10 years from the lease grant date</i> <p><i>For more information, read Shared Ownership – Leases – 5.2 and Model leases – 11.</i></p>
20	<p>Shared Ownership – Has the applicant(s) been referred for independent financial advice and has the Provider evidence on file of a suitable financial assessment of every applicant to determine the share they are able to purchase and their overall affordability?</p> <p><u><i>Auditor Notes</i></u></p> <p><i>Please check the following:</i></p> <ul style="list-style-type: none"><i>• The detailed affordability assessment for each purchaser has been carried out by qualified, regulated advisor or mortgage lender.</i><i>• The share amount purchased has been recommended by a qualified, regulated advisor or mortgage lender.</i><i>• A copy of the detailed affordability assessment for each purchaser should be held on file.</i> <p><i>For more information, read CFG Shared Ownership – Affordability Guidance – 6.</i></p>
21	<p>Shared Ownership - do purchasers meet the eligibility requirements in the CFG?</p> <p><u><i>Auditor Notes</i></u></p> <p><i>Following an initial eligibility assessment by a Help to Buy Agent, Providers are required to conduct their own thorough assessment of the eligibility of an applicant to ensure that they meet all the criteria and that their purchase is affordable and sustainable.</i></p> <p><i>Any exception to the eligibility criteria should have the written agreement of Homes England which should be documented on file.</i></p>





	<p><i>Please check the following:</i></p> <ul style="list-style-type: none">• Evidence that all the eligibility criteria for each purchaser have been met should be held on file.• Where an exception has been agreed by Homes England to any of the eligibility criteria their written agreement should be held on file alongside all supporting documentation relating to this. <p>For more information, read <u>Shared Ownership – Application Eligibility – 3.</u></p>
22	<p>Shared Ownership – have the rents been calculated according to the formula set out in the CFG – specifically 4.1 of the Shared Ownership chapter.</p> <p>If no, please provide details.</p> <p><u>Auditor Notes</u></p> <p><i>Check filed evidence against the CFG Rents and Service Charges section.</i></p> <p><i>For new Shared Ownership homes funded via the AHP 2021 to 2026 the calculation of any annual sinking fund charge (included in the service charge and where relevant) should not include any external and structural repair work, expected or unexpected, within the first 10 years.</i></p> <p><i>Please check the following:</i></p> <ul style="list-style-type: none">• Rents and service charges have been set in accordance with the requirements in the CFG for initial sale, rent increases and resale.• The requirement concerning ground rents where contracts have not been exchanged before 23 May 2022 for AHP 21-26 and SOAHP 2016-21 has been met. This includes OPSO.• For new Shared Ownership homes funded via the AHP 2021 to 2026, the requirement concerning the calculation of any annual sinking fund charge has been met. <p>For more information, read <u>Shared Ownership – Rents and service charges – 4.</u></p>



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