

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



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.

GENERAL	
1	<p>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.</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>Does key cost data entered in IMS, along with any updates, match scheme file evidence?</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>
3	<p>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?</p> <p><u>Auditor notes</u></p>

	<p>Check IMS submission against building contract details, scheme approval and PC approval.</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>
4	<p>Were the grant funded units developed without any planning gain contribution or covered by any planning obligation that would make the development ineligible for grant? If no, please give details.</p> <p>Auditor notes</p> <p>CFG – Procurement and Scheme Issues – Planning Permission and Building Regulations – 7.2</p>
5	<p>Where required, were other specified consents obtained for the relevant works? If no, please explain the reasons, or write “No other specified consents applied” as appropriate.</p> <p>Auditor notes</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>
6	<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? For example:</p> <ul style="list-style-type: none"> • NHBC Buildmark certification/equivalent. • Valuation • Structural report • Site investigation • Solicitor’s report <p>If no, please explain the reasons, or write “There is no documented evidence of factors that may adversely affect mortgageability” as appropriate.</p> <p>Auditor notes</p> <p>Check filed documentation, noting which documents have been seen and their date.</p> <p>House builder warranties/CML cover notes must be available on completion.</p> <p>NB - Attachments are required only to support specific audit findings or to evidence any mitigating circumstances.</p> <p>CFG – Procurement and Scheme Issues – Procurement – 2.2</p>
7	<p>Where there are variations to agreed submitted standards, have these been authorised by Homes England? If no, please explain the reasons, or write “No variation requests” as appropriate.</p> <p>Auditor notes</p> <p>Check files against submitted and agreed standards in IMS to ensure that any variations have been agreed by Homes England. Please specify:</p> <ul style="list-style-type: none"> • Documentation seen • Authoriser • Date of authorisation • Details of agreement (including reasons for variation)
PRE-DEVELOPMENT	
8	<p>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.</p> <p>Auditor notes</p> <p>Refer to the list of requirements on the Compliance Audit web page.</p>

	<p>Please note that a valuation figure is required even for historic purchases, where these are "acquisition and works" schemes.</p> <p>A valuation is not required for "works only" schemes.</p> <p>Validity periods may vary according to changes in RICS guidance and individual practices.</p> <p>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.</p> <p>CFG - Programme Management - Reporting and audit requirements - 7.3. Audit Requirements.</p>
DEVELOPMENT	
9	<p>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.</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>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> <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>
10	<p>Does the land/property have either of the following</p> <ul style="list-style-type: none"> • 'good title' as defined in the CFG (Procurement and Scheme Issues, 5.3); 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>
11	<p>Have both of the following been achieved prior to Start on Site 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>If either requirement not met, please provide details.</p>

	<p><u>Auditor notes</u></p> <p>Check site possession date recorded in signed and dated building contract. If contract dates do not reconcile, record detail and reason.</p> <p>Please note that Homes England requires assurance that the contractor has entered into 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.</p> <p>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 Independent Auditor should establish whether the provider has sufficient oversight of the entity's board and control over its business decisions.</p> <p>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.</p> <p>CFG – Finance – Grant claims and payments – 3.4</p>
12	<p>Is/was adequate insurance in place during development to cover the scheme for the full cost of the works? Please provide full details of the insurance arrangements and clarify the adequacy of the arrangements</p> <p><u>Auditor Notes</u></p> <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.</p> <p>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.</p> <p>Please note, Homes England expects the insurance arrangements to cover all of the required circumstances set out in CFG</p> <p>CFG – Procurement and Scheme Issues – Scheme types and requirements - 3.4</p>
POST-DEVELOPMENT	
13	<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? If no, please provide details. If no, please explain the reasons.</p> <p><u>Auditor notes</u></p> <p>Check certificate date against final cost/PCF claim date and that it corresponds to the building contract.</p> <p>Check that CFG definition of Partial Possession/Practical Completion met prior to final grant claim</p> <p>CFG – Programme Management – Milestones - 4.2.7 and CFG – Finance – Grant claims and payments - 3.6</p>
14	<p>Is adequate insurance in place to cover the completed scheme for its Full Replacement Value? If no, please provide details If no, please explain the reasons.</p> <p><u>Auditor Notes</u></p> <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.</p> <p>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.</p> <p>Please note, Homes England expects the insurance arrangements to cover all of the required circumstances set out in CFG</p> <p>CFG – Procurement and Scheme Issues – Scheme types and requirements - 3.4</p>

15	<p>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.</p> <p><u>Auditor Notes</u></p> <p><i>See requirements set out in CFG – Housing for Rent</i></p>
16	<p>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.</p> <p><u>Auditor notes</u></p> <p><i>Please check and specify in the comments box:</i></p> <ul style="list-style-type: none"> • Rents on the system including relevant conversion calculation • Rents on Tenancy Agreement <p><i>For each variant figure e.g. if there are 5 different rent levels on the scheme, provide each for both rents on the system and actual rents.</i></p> <p><i>If they do not match:</i></p> <ul style="list-style-type: none"> • state actual rents and those on the system • Percentage of discrepancy and whether more or less than actual • confirm any reason for discrepancy <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>Note that where it can be shown that apparent discrepancies are caused by differing methods of calculating a weekly rent over a year these are not cause for a breach</i></p>
17	<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>If no, please explain the reasons, or write “No planning consents were required” 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 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>steps have been taken to obtain them</i> <i>the delay is only due to late issue by the Local Planning Authority, and</i> <i>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>CFG – Procurement and Scheme Issues – Planning Permission and Building Regulations – 7.2</i></p>
18	<p>Was the final certification required under building regulations obtained prior to development completion? If no, please explain the reasons.</p> <p><u>Auditor notes</u></p>

	<p>Check for earlier submission approval/correspondence, pertinent certified dates and third party certification e.g. NHBC Buildmark, if appropriate, to confirm sign off.</p> <p>If building regulations sign off has not been achieved at time of audit, note the regulation to be discharged and reason for non-discharge. NB - Payment claim date may be different to development completion date, therefore refer to scheme file for evidence.</p> <p>CFG – Programme Management – Milestones - 4.2.7 and CFG – Finance – Grant claims and payments - 3.6</p>
19	Is there a managing agent?
20	<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 write "No management agreement" as appropriate.</p> <p><u>Auditor notes</u></p> <p>Check filed evidence and IMS submission to substantiate.</p> <p>CFG – Programme Management – Management arrangements</p>
21	<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>If no, please explain the reasons, or write "No management agreement" as appropriate.</p> <p><u>Auditor notes</u></p> <p>Check filed evidence and IMS submission to substantiate.</p> <p>CFG – Programme Management – Management arrangements</p>
22	<p>Where applicable, has the contractual requirement for Unregistered Bodies 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 If no, please explain the reasons, or write "Grant recipient not an unregistered body" as appropriate.</p> <p><u>Auditor notes</u></p> <p>Please note the restriction would only apply where the URB is retaining ownership or where they have offered the land as security.</p>
SALE	
23	Does the scheme include any Shared Ownership units?
24	<p>Shared Ownership - Have all of 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>
25	Shared Ownership - Has the Provider carried out a suitable financial assessment of every applicant and are these filed for audit purposes?

	<p><u>Auditor notes</u></p> <p>Check that the Homes England affordability toolkit or equivalent has been used.</p>
26	<p>Shared Ownership - do purchasers meet the eligibility requirements in the CFG?</p> <p><u>Auditor notes</u></p> <p>Check for filed evidence issues have been properly considered.</p> <p>CFG - Help to Buy: Shared Ownership – Applicant Eligibility</p>
27	<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. If no, please provide details</p> <p><u>Auditor notes</u></p> <p>Check filed evidence against the CFG Rents and Service Charges section.</p> <p>Check the rents have been calculated according to the percentage of unsold equity outlined in the original bids. For example, if the bid outlined that rents would be calculated on 2.75% of unsold equity, this should be reflected in the rents at initial sale.</p> <p>CFG - Help to Buy: Shared Ownership - Rents and Service Charges – 4.1</p>
STRATEGIC PARTNERSHIPS	
28	<p>Were all scheme/phase details submitted in accordance with published guidelines set out in the relevant contract and CFG? If no, please give details.</p> <p><u>Auditor notes</u></p> <p>Check scheme/ phase details have been entered into system within one calendar month of practical completion</p>
29	<p>Has a financial audit been completed on this site? If yes, please provide details of any findings/ issues identified.</p>
SPECIALISED HOUSING	
30	<p>Lease and repair (Empty Homes) - The property is not an existing social home owned by the Provider or another Provider (e.g. Local Authority or housing association)? If no, please provide details</p> <p><u>Auditor notes</u></p> <p>Ensure supporting filed evidence.</p> <p>CFG – Procurement and Scheme Issues – Other scheme types – 4.1</p>
31	<p>Traveller pitches - Does the scheme match the Homes England traveller pitch standard definition?</p> <p><u>Auditor notes</u></p> <p>Check supporting filed evidence. If scheme is not a standard type check for evidence of fixed sleeping accommodation.</p>
32	<p>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</p> <p><u>Auditor notes</u></p> <p>The following wording may be used:</p>

	<i>No disposition other than a lease for a term expiring less than seven years after the date of the lease, or transfer of the registered estate by the proprietor of the registered estate, is to be registered without a certificate signed by Homes England (the trading name of the Homes and Communities Agency) of Coventry Office, One Friargate, Coventry, CV1 2GN.</i>
MOVE ON	
33	<p>Move On - Does the scheme offer the required type of accommodation?</p> <p><u>Auditor notes</u></p> <p><i>Move On Fund Prospectus – Chapter 2 and CFG - Move On Fund</i></p>
34	<p>Move On - (For schemes providing accommodation to survivors of domestic abuse) Does the scheme comply with the 'Move On Standard'?</p> <p><u>Auditor notes</u></p> <p><i>Capital Funding Guide – Procurement and Scheme Issues chapter 4.3.2</i></p>
CARE AND SUPPORT SPECIALISED HOUSING FUND Phase 2 (CASSH2)	
35	<p>Does the scheme offer the required features?</p> <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> <p><i>CFG – Department of Health and Social Care Programmes – Overview – 1.5</i></p>
36	<p>Do the residents/clients reflect the published group definitions?</p> <p><u>Auditor notes</u></p> <p><i>Ensure supporting filed evidence.</i></p> <p><i>CFG – Department of Health and Social Care Programmes – Overview – 1.4</i></p>
37	<p>Do the service charges included in the rent only cover building related charges? If no, please explain the reasons, or write "There are no service charges" as appropriate</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> <p><i>CFG – Department of Health and Social Care Programmes – Rents – 2.2</i></p>
ADDITIONAL	
38	<p>Were the all requirements within the relevant contract complied with? If no, please provide details of all conditions not complied with.</p> <p><u>Auditor notes</u></p> <p><i>Check 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> <p><i>Do not include any breaches of contract already raised as a breach elsewhere in the audit.</i></p>