

Final Internal Audit Report

Housing Tenancy Checks

May 2024

Distribution: Corporate Director of Housing
Interim Director of Tenancy Services
Director of Housing – Resident Engagement and Allocations
Director of Finance (Deputy S151)
Corporate Director of Resources and S151 Officer (Final only)

Assurance Level	Issues Identified	
No Assurance	Priority 1	5
	Priority 2	1
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

Contents
Page**Executive Summary**

1. Introduction	3
2. Key Issues	4

Detailed Report

3. Actions and Key Findings/Rationale	6
---------------------------------------	---

Appendices

1. Terms of Reference
2. Definitions for Audit Opinions and Identified Issues
3. Statement of Responsibility

1. Introduction

- 1.1 According to London Borough of Croydon's (the 'Council') website, there are 150,100 properties (houses, flats, bungalows) within the Borough as of July 2022. 16% of these properties were socially owned; 9% rented by the Council and 7% by Housing Associations.
- 1.2 The Council has approximately 15,000 properties where it is the landlord. As a landlord, the Council has several key responsibilities towards the tenants, which includes:
- Ensuring tenants can enjoy their home in peace and quiet;
 - Maintaining the home in a fit condition;
 - Keeping the home safe; and
 - Cleaning and caring for the communal areas and environment around the home.
- 1.3 Social landlords are exposed to the risk of tenancy fraud, which itself can come about in many different forms such as unlawful subletting. Consequences of instances of fraud, aside from the financial impact, can be severe; including the possibility of being downgraded by the Regulator of Social Housing due to inadequate internal controls and reputational damage. As a result, it is important that social landlords establish a strong culture of awareness of all types of fraud, including tenancy fraud.
- 1.4 Failing to adequately address tenancy fraud can give rise to reputational risks and threatens a landlord's wider social objectives. In terms of providing social housing to people in need, it can often be overlooked that recovering a number of properties which were previously provided to fraudulent tenants and then reallocating these to tenants with a genuine need has effectively the similar net effect as developing the same number of new properties.
- 1.5 Tenancy Officers (TOs) within the Council complete tenancy occupancy checks through short meetings with the residents at their respective property. During these checks, the TO complete a short questionnaire and conduct a brief inspection of the property. Residents and members of the household can also be asked to show some proof of ID and address. These checks help the Council to confirm that it has up to date information about who is living in these properties.
- 1.6 The Council did not at the time of audit have a formally defined methodology for selecting tenancies for occupancy checks, as there was no policy governing the rationale for checks. Individual TOs select tenancies for checks, but there is no attempt to identify fraud risk-factors for tenancies, other than the length of the tenancy.
- 1.7 If the TOs have reason to believe that the tenancy is breaking the terms in the tenancy agreement, the Council may take further action, and this could include legal action. Additionally, where tenancy checks identify that the tenant has issues with their property (such as repair issues), this should be noted, and the Tenancy Services team will look into the matter.

- 1.8 The Council have a target of carrying out 210 occupancy checks per quarter. This amounts to around five checks per month per TO. The Housing Services Performance Monitoring Report for Q3 of 2022/23 showed that 120 checks had been carried out, although only 43 attempted checks (of which 34 were marked as successful) had been recorded in OHMS, the housing management system.
- 1.9 In November 2022, a coroner ruled that a child living in Rochdale had died due to unresolved damp & mould issues in social housing. Under direction from the Department for Levelling Up, Housing and Communities, the Council, along with other local authorities, have placed an increased emphasis on monitoring damp & mould problems. A Damp and Mould Action Plan has been developed by the Housing Service, which has been the main focus of tenancy checks in January and February 2023.
- 1.10 The Housing Ombudsman released the ‘One Year Follow Up Report’ in February 2023, which provided some insight into how some landlords were exploring damp and mould prevention, areas of good practice in handling damp and mould reports, areas of concern and key findings from casework. Some of the key factors to good practice were noted as (but not limited to) having a proactive communication strategy, treating residents fairly, knowing your stock and empowering staff, all of which should be considered when developing procedures and guidance around tenancy checks.
- 1.11 There were a number of delays to the completion of the Internal Audit as a result of several changes in staff in the Tenancy Services team. While we have covered the scope, due to the number of key structural controls that are absent (including policies, procedures and training), further testing in some areas would have been difficult. In order to avoid further delays, we did not carry out sample testing of tenancy checks, although we did complete walkthrough of a limited number of sample cases.
- 1.12 The audit was undertaken as part of the agreed Internal Audit Plan for 2022/23. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

- 2.1. The key issues identified are as below:

Priority 1 Issues

There was no policy in place for tenancy checks, or related procedures. **(Issue 1)**

There were no training records for officers in the Tenancy Services team. **(Issue 2)**

A rationale for tenancy checks had not been defined. **(Issue 3)**

Tenancy check forms were not backed up electronically. **(Issue 4)**

There was no central allocation of checks or tracking of the status of checks. **(Issue 5)**

Priority 2 Issue

Testing of the Q3 2022/23 performance data showed that performance was below target. Additionally, further analysis of OHMS data indicated that the performance reported was overstated. **(Issue 6)**

There were no Priority 3 issues.

3. Actions and Key Findings/Rationale

Control Area 1: Policies, procedures and guidance (including provision of training) related to tenancy checks

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
1	<p>There is now a draft policy that will work around the assumption of a three-year cycle for checks.</p> <p>The policy has been sent to the Croydon’s Housing Reader Group for review and comments. Prior to which, Operations Managers reviewed it and provided feedback.</p> <p>We’ve completed a data cleansing exercise; this has allowed us to identify the missing gaps in terms of Equalities data. This will be used to inform how we carry out and focus the tenancy checks.</p> <p>As of June 2023, housing management switched over to the Northgate NEC software solution. The Tenancy Audit process has now been developed, which will generate reports that allow us to see our line of travel. We have started to use information from the National Fraud Initiative to target</p>	<p>Expected Control</p> <p>There should be a clear, up-to-date policy that outlines the basis for tenancy checks being undertaken, and how many checks should be undertaken each month. In addition to this, there should be procedures and guidance for officers that outline how checks are to be undertaken, such as what time of day they should be conducted, how vulnerable residents should be handled and the correct procedure to be followed if tenants are not home. Officers undertaking tenancy checks should also be trained and provided with guidance on how to identify instances of damp and mould (or other notable issues with the property’s condition) and understand the appropriate escalation procedures to flag potential issues with the relevant team(s) within the Council.</p> <p>Issue</p> <p>Discussion with both the former Director of Tenancy Services in November 2022, and the new Interim Director in February 2023 highlighted the absence of policies and procedures in place. The Interim Director stated that there is no policy covering tenancy checks, and this has led to a lack of clarity of when checks should be conducted. In addition to the absence of a policy, a lack of procedures also meant it was difficult to test whether organisational and management requirements were being met by the tenancy checks. There was a standard tenancy check form that was used during checks, and it was identified that there is a KPI target of 210 tenancies per quarter. This has been calculated by assuming five checks per TO per month, as there were 14 tenancy officer positions as of February 2023.</p> <p>Risk</p>

	visits, they have provided data on Croydon tenants who have passed away over the last three years and will continue to do so.	Where policies and procedures are not in place for tenancy checks, there is a risk that staff are unfamiliar with the requirements and checks will not be carried out in a consistent manner. This could mean checks are less effective at identifying fraud, resulting in financial loss for the Council. Additionally, as TOs must enter the homes of tenants to carry out checks, there is a risk that the Council could breach housing laws if checks are not conducted in accordance with procedure.
Responsible Officer	Deadline	
Head of Residency and Resident Engagement	March 2024	

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2				
1	<p>In mid-April 2024, the Tenancy Audit module will be ready for testing. All staff will then receive training: this includes Tenancy officers and officers from the Service quality team, who will also be involved in carrying out checks.</p> <p>Training was delivered to officers during February 2024, following which the process begun live in Northgate NEC in March 2024. A training video is also available to support existing and new staff</p>	<p>Expected Control</p> <p>It is important that officers have appropriate training in order to be able to carry out tenancy checks, and that training is appropriately recorded. In addition, as tenancy checks may frequently involve entering a vulnerable person's home, there are a number of important areas that training must cover. Furthermore, these checks also provide insight as to the wellbeing of the residents and provide an opportunity to detect safeguarding issues, (for example such as modern slavery).</p> <p>Issue</p> <p>Discussion with the Interim Director of Tenancy Services highlighted that there is no formal training log for officers to detail which TOs have received what training. This makes it difficult for the Interim Director, who is new to the role, to identify gaps in the team’s training or where new training is needed. The Interim Director stated that the team has recently undertaken “light” training around Damp and Mould as part of the Damp and Mould Action Plan, but this training was informal and not recorded.</p> <p>Risk</p> <p>Where training is not recorded, it is difficult to ascertain whether officers have adequate training for their duties. Additionally, where there is too much reliance of informal training, TOs may not be aware of the legal requirements surrounding tenancy checks.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Residency and Resident Engagement</td> <td>March 2024</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Head of Residency and Resident Engagement	March 2024	
Responsible Officer	Deadline					
Head of Residency and Resident Engagement	March 2024					

Control Area 2: Procedure for Selection of Properties for Tenancy Checks

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3
1	<p>There is a rationale within the new policy. Our data exercise means that the checks will be targeted much more clearly, using defined rationale and based on data. For example: Missing ethnicity data; Vulnerability; Lack of contact; Age; Disability; Blocks with high level of reports of damp and mould; Deaths (NFI information); Large Panel System buildings (LPS).</p> <p>Milestone have been set to allow us to review our data when checks completed increase by 1,000 to identify any trends/ issues, which warrant a change in service delivery.</p> <p>April 2024</p>	<p>Expected Control</p> <p>Tenancy checks should be targeted and risk-based in order to deliver the best value. There should be an attempt to select tenancies for checks that indicate one or more risk-factors for fraud, as this will result in a higher probability that checks will identify tenancy fraud.</p> <p>Issue</p> <p>The former Director stated that at present, there is no targeting of checks, and that the way tenancies are currently selected for checks by individual TOs was unsatisfactory. The Interim Director confirmed in February 2023 that there is no "rationale" for checks, and that this was a major limitation to the service. Checks have largely been led by the Damp and Mould Action Plan in the last two months prior to the fieldwork, but this is not a substitute for a proper rationale for checks.</p> <p>Discussion with TOs highlighted that there is no central allocation of tenancies for occupancy checks: it is for individual officers to select tenancies for checks based on their own judgement. Historically, tenancies were taken from a report of tenancies older than 10 years generated by CRM, but the Tenancy Services team no longer have the ability to generate these reports.</p> <p>We have seen that other housing providers use a risk-based tenancy fraud check approach, based on the following indicators:</p> <ul style="list-style-type: none"> • Lack of contact with the organisation or responses to communications; • Lack of repairs raised; • Access consistently refused for H&S works on first attempt; • Rent paid in advance and on time, or due rent amounts overpaid consistently to avoid drawing attention to the tenancy; and • Reports from staff, contractors, other tenants or third parties.

Responsible Officer	Deadline	Risk
Head of Residency and Resident Engagement	August 2023 (DMT sign off)	Where the rationale for tenancy checks are not defined, there is a risk that tenancies that should be subject to checks (due to high risk of fraud or issue with the quality of housing stock) are not checked. This could result in reputational damage to the Council, as well as a higher risk that tenancy fraud will go undetected, causing financial loss. There is a further risk that checks will not deliver value for money if they are not targeted at tenancies that exhibit risk-factors for tenancy fraud.

Control Area 3: Visits and Recording of Tenancy Checks

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4				
1	<p>We accept that the forms weren't being uploaded properly. With the new process, officers will have to confirm in writing that the form has been uploaded and we'll carry out cross-checks between the forms and the information in the system.</p> <p>The Northgate build was delayed, it should have started in June 2023.</p>	<p>Expected Control</p> <p>When an occupancy check is conducted, the TO visits the address with a pre-printed form to complete while conducting the visit. As this form contains all of the evidence collected during the check, it is important that it is securely retained in line with UK GDPR and the Data Protection Act 2018 requirements.</p> <p>Issue</p> <p>Discussions with members of the Tenancy Services team who conduct checks, noted that the check forms are stored physically in lockers by the TOs who conducted the checks. These are not scanned and uploaded digitally unless expressly required by someone else, and there is no shared drive in which the forms are uploaded. While the TOs who were interviewed were able to provide a few examples of recent checks carried out by themselves, they stated that they would not be able to provide a complete set of completed forms for a sample of recent checks.</p> <p>Risk</p> <p>Where tenancy check forms are not properly stored, there is a risk that the information on them may not be available if required in the future, such as if the officer who completed the check is on leave or has left the Council. Additionally, there is a risk that records may be permanently lost in the event of fire or theft. This is particularly an issue if the check results in a fraud or safeguarding investigation. There is also a missed opportunity for capturing key issues/trends across stock which can be used to inform future policies and procedures.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Residency and Resident Engagement</td> <td>October 2023</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Head of Residency and Resident Engagement	October 2023	
Responsible Officer	Deadline					
Head of Residency and Resident Engagement	October 2023					

Control Area 4: Further Actions Following Tenancy Checks Where Necessary

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 5				
1	In February 2023 we started to base the checks on addresses with high incidents of damp and mould, but going forward it will be more data driven. At the moment were focusing on two things: Damp and mould, we have been able to confirm the numbers referred to the damp and mould team and NFI succession information. This has reduced the number of duplicate checks.	<p>Expected Control</p> <p>As 14 separate TOs are responsible for conducting Tenancy Checks, it is important that the tenancy checks are coordinated and tracked centrally by the Tenancy Services team. Tenancies should be allocated to specific TOs for checks, and the Service should maintain a record of the status of ongoing and completed checks.</p> <p>Issue</p> <p>It was noted that there were no centralised allocations systems. Instead of tenancies being flagged for checks by a designated allocation officer based on risk-factors, individual TOs selected tenancies for checks individually based on their own judgement and experience. Additionally, there was no central tracker that shows the status of completed and ongoing checks, or which lists follow up actions required subsequent to checks.</p> <p>Initially upon request, TOs were not sure they would be able to provide a list of checks undertaken in the previous year, as no such list was maintained. The IT team were subsequently able to generate a report of checks based on OHMS data; however, this data does not match the performance data detailed in the Performance Monitoring Group report (refer to issue 6).</p> <p>Risk</p> <p>Where there is no coordination of checks between TOs, there is a risk that duplicate checks might be undertaken, resulting in wasted time, or that high risk tenancies might not be checked. Additionally, where there is no function to track ongoing and completed checks, there is a risk that follow up activities will not be undertaken as required, or that performance against targets cannot be accurately measured.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Residency and Resident Engagement</td> <td>N/A NFI checks already underway</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Head of Residency and Resident Engagement	N/A NFI checks already underway	
Responsible Officer	Deadline					
Head of Residency and Resident Engagement	N/A NFI checks already underway					

Control Area 5: Management Reporting and Oversight

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 6				
2	<p>The checks were not being recorded properly in OHMS. There were incidents where officers had unsuccessfully carried out a first check, which had been recorded in OHMS, and had then returned for a second successful check, but had failed to record this in OHMS.</p> <p>Some of the KPI data was coming from the managers – each month the officers had to fill in a manual spreadsheet to say how many audits had been carried out.</p> <p>Spreadsheets will no longer be relied upon with the use of Northgate NEC.</p>	<p>Expected Control</p> <p>The Tenancy Services team should report on the number of checks carried out each quarter in the Housing Services Performance Monitoring Report.</p> <p>Finding</p> <p>The Housing Services Performance Monitoring Report for Q3 of 2022/23 showed that 120 checks were carried out against a target of 210. This was based on self-reporting of the number of checks by TOs, rather than being drawn from system data. While this is significantly below target in of itself (57%), it also does not agree to the analysis of OHMS data, which shows that only 43 checks were attempted during this period, of which only 34 were marked as “successful” in OHMS (which should indicate that the check was completed, however this is not confirmed during audit testing).</p> <p>It was also noted that there was no central tracking of checks completed, against which both the OHMS data and the figures from the Performance Monitoring Report (see issue 5) could be compared.</p> <p>Risk</p> <p>Where performance data reported to senior management is incorrect, there is a risk that poor performance will go unnoticed, which could result in financial loss to the Council or reputational damage.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Residency and Resident Engagement</td> <td>October 2023</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Head of Residency and Resident Engagement	October 2023	
Responsible Officer	Deadline					
Head of Residency and Resident Engagement	October 2023					

AUDIT TERMS OF REFERENCE

Tenancy Checks

1 INTRODUCTION

- 1.1 According to London borough of Croydon's (the 'Council') website, there are 150,100 properties (houses, flats, bungalows) within the Council as of July 2022. 16% of these properties are socially owned; 9% rented by the Council and 7% by Housing Associations.
- 1.2 The Council is the landlord and has several key responsibilities towards the tenants, which includes:
- Ensuring tenants can enjoy their home in peace and quiet;
 - Maintaining the home in a fit condition;
 - Keeping the home safe; and
 - Cleaning and caring for the communal areas and environment around the home.
- 1.3 The Council completes tenancy checks which are short meetings with the residents at the property with the Tenancy Officer. During these checks, the Housing Officer completes a short questionnaire and carries out a brief inspection of the property. Residents and members of the household can also be asked to show some proof of ID and address. These checks help the Council to confirm that it has up to date information about who is living in their homes.
- 1.4 If the Housing Officers have reason to believe that the tenancy is breaking the terms in the tenancy agreement, the Council may take further action, and this could include legal action.
- 1.6 This audit is being undertaken as part of the agreed Internal Audit Plan for 2022/23.

2 OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3 SCOPE





- 3.1 This audit examined the following areas:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Policies, procedures and guidance (including provision of training) related to tenancy checks	2	0	0
Procedure for selection of properties for tenancy checks	1	0	0
Visits and recording of tenancy checks	1	0	0
Further actions following tenancy checks where necessary	1	0	0
Management Reporting and Oversight	0	1	0
Total	5	1	0

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

Registered office: 30 Old Bailey, London, EC4M &AU, United Kingdom. Registered in England and Wales No 0C308299.