

Final Internal Audit Report

Emergency and Temporary Accommodation (Income Collection)

July 2024

Distribution: Interim Director of Tenancy
Head of Temporary Accommodation
Corporate Director of Housing
Corporate Director of Resources and S151 Officer
Director of Finance & Deputy S151 Officer

Assurance Level	Issues Identified	
No Assurance	Priority 1	N/A
	Priority 2	N/A
	Priority 3	N/A

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.

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1. Terms of Reference
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3. Statement of Responsibility

1. Introduction

- 1.1. Emergency and temporary accommodation is available for members of the public who have lost, or are expected to lose, their home and therefore would be deemed homeless. If this occurs, individuals are able to contact their local authority who will assist with the provision of the emergency accommodation.
- 1.2. According to Croydon Council's ("Council") 'Updating the Homelessness and Rough Sleeping Strategy' report issued in December 2022, 10,933 homelessness placements were made within the borough in the last three years, with 6,450 being placed by local authorities other than the Council. According to this report, to date, the majority of placements will sit within one of the following accommodation options:
 - Bed & Breakfast
 - Croylease
 - Guaranteed Rent Scheme
 - Private Licencing Agreement
 - Hostels CSW
- 1.3. The Council have seen areas of change within their management of emergency and temporary accommodation process, in particular the movement from the OHMS Housing management system to the Northgate NEC Housing system for income collection. The migration to the new system was completed in June 2023.
- 1.4. In addition, the Council has now moved towards a new corporate policy relating to bad debt provisions and assessments, moving away from a more localised policy held by the Housing Team.
- 1.5. The cost of the temporary accommodation rent is usually covered by Housing Benefits; however, this will not cover the full cost of the placement. As such the Council will need to recover these additional costs from the tenants.
- 1.6. This audit is part of the agreed Internal Audit Plan for 2023/24.

2. Overall Opinion and Key Issues

- 2.1. No assurance can be provided for this area due to lack of engagement from key contacts.
- 2.2. The audit was originally scheduled to take place in August 2023; however, we received a request from the Service to postpone the audit to the start of 2024. This audit was rescheduled to be undertaken on 31 January 2024. The audit announcement correspondence was issued three weeks in advance of the scheduled date, in line with the agreed Internal Audit protocol, on 9 January 2024.
- 2.3. A request for documentation was sent to the Director of Homelessness Prevention and Accommodation and Director of Housing Management on the 25 and 30 January 2024. Internal Audit were provided with an email address for the Temporary Accommodation Manager on the 30 January 2024, and they

were invited by the Director of Homelessness Prevention and Accommodation to the opening meeting on the 31 January 2024. The opening meeting was not attended by the Temporary Accommodation Manager. Following the opening meeting held on 31 January 2024, no further documentation was received.

- 2.4. Follow up requests for documentation were sent to the Director of Homelessness Prevention and Accommodation and the Temporary Accommodation Manager on 6, 8, 12 and 13 February 2024. On 13 February 2024 the issues were formally escalated to the Head of Internal Audit, who noted that the email address provided by the Director of Homelessness Prevention and Accommodation for the Temporary Accommodation Manager was incorrect. The relevant Directors were included in all our emails.
- 2.5. The Temporary Accommodation Manager was then contacted on the 13 February using the correct email address, and again on the 16, 23 and 26 February 2024. Internal Audit were provided with one Procedure document on 1 March 2024 from a longer list of the initial data requested. Internal Audit were informed by the Temporary Accommodation Service Manager that the policies and procedures and escalation process documents were being updated/created at the time of request and other information on the longer list was not available.
- 2.6. Final communication informing the key audit contacts on the issue of 'No Assurance' report due to their lack of engagement and evidence sharing was sent on 15 March 2024.
- 2.7. On the 18 March 2024, the Corporate Director of Housing, the Director of Homelessness Prevention & Accommodation and the Head of Internal Audit were informed of the lack of progress on this audit. The Head of Internal Audit has agreed with the issue of this report.

AUDIT TERMS OF REFERENCE

Emergency and Temporary Accommodation (Income Collection)

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- 1.3. The Council have seen areas of change within their management of emergency and temporary accommodation process, in particular the movement from the OHMS management system to the Northgate NEC system for income collection. The migration to the new system was due to be completed by 6 June 2023.
- 1.4. In addition, the Council has now moved towards a new corporate policy relating to bad dept provisions and assessments, moving away from a more localised policy held by the Housing Team.
- 1.5. The cost of the temporary accommodation rent is usually covered by Housing Benefits; however, this will not cover the full cost of the placement. As such the Council will need to recover these additional costs from the tenants.
- 1.6. This audit is part of the agreed Internal Audit Plan for 2023/24.

2. OBJECTIVES AND METHOD

- 2.1. The overall audit objective was to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2. The audit for each control / 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, focused on emergency and temporary accommodation, was undertaken as part of the 2023/24 Internal Audit Plan. The specific scope included the following areas and recommendations:





Control Areas/Risks	Issues Raised ¹		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisation and Management Requirements	N/A	N/A	N/A
Tenancy Management and Income Collection	N/A	N/A	N/A
Debt Recovery and Enforcement	N/A	N/A	N/A
Bad Debt and Write Offs	N/A	N/A	N/A
Management Reporting	N/A	N/A	N/A
Total	N/A	N/A	N/A

¹ No testing was completed due to a lack of engagement from the audited department and no evidence being provided.

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.

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