CROYDON

Final Internal Audit Report
Visiting Team
November 2024

Distribution: Corporate Director of Housing

Director of Housing Management

Head of Tenancy & Caretaking

Head of Finance (Housing)

Director of Finance & Deputy S151 Officer

Corporate Director, Resources & S151 Officer (final only)

Assurance Level	Issues Identified	
Limited	Priority 1	3
	Priority 2	3
	Priority 3	0

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1.   Introduction

1.1.   The London Borough of Croydon's (the 'Council') website detailed that there were 150,100 properties (houses, flats, bungalows) within the Borough as of May 2024. Of these properties, 16% 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;
- Meeting the decent homes standard;
- Provide timely and effective repairs;
- Taking all reasonable steps to keeping the home safe; and
- Cleaning and caring for the communal areas and environment around the home.

1.3.   Tenancy Officers (TOs) within the Council complete tenancy occupancy checks through short meetings with the residents at their respective property. During these checks, the TOs 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 confirm that it has up to date information about who is living in these properties (e.g. as a preventative measure against tenancy fraud).

1.4.   The Councils Housing Directorate switched from using OHMS (housing management system closed down in May 2023) to NEC (housing management system), which was fully implemented in June 2023 as their main system of record. At the time of the audit (April 2024), during the transition period between systems, TOs were selecting tenancies for occupancy checks from a "Data Cleansing Spreadsheet", which was created to facilitate the move from OHMS to NEC and complete fields which were missing for selected properties. This spreadsheet included tenancy details; however, did not flag risk-factors for tenancies. The team intended to stop using the Data Cleansing Spreadsheet once all data is migrated to the NEC system. This was not the case at the time of the audit.

1.5.   If the TOs have reason to believe that the tenancy is breaking the terms in the tenancy agreement, the Council may take further action including legal action if appropriate. Additionally, where tenancy checks identify that the tenant has issues with their property (such as repairs or damp and mould present), this should be recorded for the Tenancy Services team to investigate further.

1.6.   The Council previously had a target of carrying out 450 occupancy checks per quarter. This amounted to around ten checks per month per TO. In April 2024 the Council increased its target for occupancy checks from 10 checks per month per TO to 25, which equated to an increase from 450 to 1125 checks per quarter.

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1.7.   The audit was undertaken as part of the agreed Internal Audit Plan for 2023/24. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1. During fieldwork, the Council were unable to provide a report of checks which had been uploaded to NEC. The Tenancy Officer KPI'S April-March Spreadsheet (manually maintained) in which TO's are to record successful and unsuccessful checks was, however provided. This is used as the record of checks and data to be reported to management.

2.   Key Issues

Priority 1 Issues
The Data Cleansing Spreadsheet was being used to choose properties to be visited, however, this was not a complete nor up to date record of all properties and did not facilitate a risk based and targeted approach as it did not take into consideration indicators of fraud or risk. **(Issue 1)**
There was no oversight of which tenancies were being checked, with individual TOs selecting tenancies for checks based on unchecked properties within the Data Cleansing Spreadsheet. Moreover, the Head of Tenancy and Caretaking highlighted that they did not believe all checks were being recorded in the Data Cleansing Spreadsheet. **(Issue 2)**
A walkthrough of a sample of two checks conducted in February 2024 and April 2024 highlighted that the completed Occupancy Check forms for these had not been uploaded into SharePoint. Discussions with members of the Tenancy Services team who conduct these checks, noted that the check forms were generally stored physically in lockers by the TOs who conduct the checks, which poses a Data Protection issue. **(Issue 3)**

Priority 2 Issues
There was an Occupancy Checks Procedure in draft, however it did not make reference to how many checks a TO should perform each month nor who was responsible for coordinating checks. **(Issue 4)**
There was no formal training log for officers to detail which TOs had received what training. During walkthroughs it was noted that some staff were still unfamiliar with the NEC system and how to its features. **(Issue 5)**
The Housing Services Performance Monitoring Report for Q2 of 2023/24 was based on self-reporting of the number of checks carried out by TOs and did not reconcile to the number of checks recorded in the Data Cleansing Spreadsheet. **(Issue 6)**

There were no Priority 3 issues.

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3. Actions and Key Findings/Rationale

Control Area 2: Resource Management and Scheduling of Visits

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 1
1	The methodology is contained with the Tenancy Audit Policy. The Policy has been viewed by Housing Management's Readers Panel (made up of council residents). The Policy was presented, reviewed and approved by Departmental Management Team on 5 September 2024. The spreadsheet in question allowed visits to be targeted at properties where valuable tenancy profiling information was missing, however this was and is not the only methodology used when deciding where visits are to be made- The Policy makes this clear, hence the following have had targeted visits:	**Expected Control** The Visting Team should have a defined methodology for selecting tenancies for checks that include identifying one or more risk factors and identifying the most effective time and locations to perform checks. This helps ensure that the team deliver the best value and that there is a higher probability that checks will identify tenancy fraud. **Finding/Issue** Since November 2023, the Data Cleansing Spreadsheet had been used to select the occupancy checks to be done as an interim measure until data was migrated to the NEC system. The Head of Tenancy and Caretaking explained that the spreadsheet was developed to help coordinate the migration of information from OHMS to NEC (i.e. the previous housing system to the current housing system) and that it noted all properties with information gaps which were to be determined from occupancy checks. Review of the spreadsheet found that it included only 3,960 properties, even though the Council acts as a Landlord for 13,509 properties (as per the *Our Housing Key Facts* document on the Council's website). The Head of Tenancy and Caretaking stated that the spreadsheet only included selected properties which were missing key information or had outdated data, which they used to select tenancies for visits. Internal Audit were not able to verify if all properties were on the NEC system as the team were unable to run a report from the system. The

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- Residents living in high rise blocks
- Extra Care homes
- Sheltered accommodations
- Properties where there have been ongoing leaks

(Please note rent should be paid in advance as per the tenancy agreement. A project will commence in the New Year to visit residents who request a refund (under certain circumstances.)

Tenancy staff are to be trained on applying and using the Tenancy Policy and Procedure. Report to be used to identify addresses where visits were completed or not- i.e. the tenant was in and the audit could take place. These reports can now be run.

Responsible Officer	Deadline
Head of Tenancy & Caretaking	22 November 2024

spreadsheet also did not facilitate a risk based and targeted approach for choosing properties to check as it did not take into consideration indicators of fraud or risk, which include.

- 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

Discussion with the Head of Tenancy and Caretaking highlighted that they had a documented Tenancy Audit Approach and Policy. It was noted that the Tenancy Audit Policy included that '*Visits will be targeted, allowing Croydon to use its data to prioritise key areas of concern such as Tenancy Fraud.* However, during the course of the audit, evidence was not provided to support that visits were targeted other than using the Data Cleansing Spreadsheet.

The Tenancy Audit Approach however noted the next regime to be undertaken once the Data Cleansing Spreadsheet had been completed. This included performance of checks on properties which have not raised a repair order in the last 12 months.

Risk

Where the rationale for tenancy checks is not defined, there is a risk that tenancies that should be subjected to checks (due to high risk of fraud or issue with the quality of housing stock) are missed, resulting in reputational damage to the Council. Additionally, there is a risk around tenant safety, where poor condition properties may not be detected due to a lack of a structured methodology.

There is a further risk that checks will not deliver value for money if these checks are not targeted at tenancies that exhibit risk-factors for tenancy fraud.

Control Area 2: Resource Management and Scheduling of Visits

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2
1	Visits can, have and will be targeted, see answer above. Reports are available on Northgate that allow the service to identify where checks have been carried out. This allows addresses to be targeted, visits tracked, and actions escalated There was a reliance on the Data Cleansing spreadsheets, this was not being checked and monitored to the standard expected but is no longer relied upon. Northgate Management System is used to capture audits completed and a report can be used to identify completed and uncompleted checks. The reports are to be presented to Managers and Officers to ensure that they are familiar with them and expectations going forward e.g. the need to ensure follow up visits are recorded, and escalation takes places promptly.	**Expected Control** There is appropriate oversight of the coordination and allocation of checks for each TO. The checks are tracked centrally, with the record including the status of ongoing and completed checks. **Finding/Issue** The Head of Tenancy and Caretaking highlighted that there was no centralised system in place for allocating checks. Tenancies were not centrally flagged for checks by a designated allocations officer based on risk-factors. Instead, individual TOs select tenancies for their own checks from the unchecked properties within the Data Cleansing Spreadsheet. Discussion with the Head of Tenancy and Caretaking highlighted that they did not believe that all checks were being recorded in the Data Cleansing Spreadsheet by the TOs. Moreover, the Council was not able to provide a list of checks which had been uploaded into NEC. Instead, there was reliance on the Data Cleansing spreadsheet as the central record of checks. This; however, did not contain all properties which had been checked or were yet to be checked. **Risk** Where there is no central coordination of checks between TOs, there is a risk that duplicate checks might be undertaken, resulting in wasted time/unnecessary intrusion of tenants, or that high risk tenancies might not be checked. There is also a concern that the whereabouts of TOs may not be known if allocations are not centralised and data is not recorded effectively. Additionally, where checks are not recorded, there is a risk that follow up activities will not be undertaken as required, or that performance against targets cannot be accurately measured.

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Responsible Officer	Deadline
Head of Tenancy & Caretaking	22 November 2024

Control Area 3: Record Keeping and Information Management

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 3
1	Completed checks are to be scanned and should be stored – Operation Managers will be required going forward to use 1-1s to carry out a 50% sample check.	**Expected Control** After an occupancy check is conducted, any information recorded during the visit is uploaded on to a central system for future reference and safe keeping. **Finding/Issue** It was confirmed that each Tenancy Officer (TO) visits the address with a pre-printed form to complete while conducting the visit. A walkthrough of two checks conducted in February 2024 and April 2024 highlighted that the Occupancy Check forms had not been uploaded into SharePoint. Discussions with members of the Tenancy Services team, who conduct checks, noted that the forms are stored physically in lockers by the TOs and are not routinely scanned digitally. This poses a data protection risk to the Council. **Risk** Where tenancy check forms are not appropriately/centrally stored, there is a risk that the information on them may not accessible if the officer who completed the check is on leave or has left the Council.

Responsible Officer	Deadline	
Head of Tenancy and Caretaking	4 November 2024	Furthermore, as the forms will invariably contain personal data, data breaches may occur (data protection risk) when forms are retained indefinitely and these forms will not be known and disclosed should a subject access request be made.

Control Area 1: Legislative, Organisational and Management Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4
2	The Policy has been reviewed by the Readers Group. The Policy was reviewed and agreed by Departmental Management Team on 5 September. Work is ongoing to update the procedure to take into account the number of checks required, use of system, reporting etc. Staffing briefing will take place to ensure staff are aware of the Policy and Procedure, Attendance will be recorded.	**Expected Control** There is 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, there are 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. **Finding/Issue** Discussion with Head of Tenancy and Caretaking highlighted that there was a procedure in draft and which will need to go through the Readers Group and DMT (Directorate Management Team) meetings. Examination of the draft procedure provided established that this set out the requirements of an Occupancy Check Process, what to do in cases of unsuccessful visits and preparation of visits. However, it did not make reference to how many checks a TO should perform each month or who was responsible for coordinating checks. Internal Audit did further note that there is a Tenancy Audit Policy which outlined the responsibilities of officers, legal and regulatory frameworks and information on damp and mould and how to obtain access to a property. **Risk** 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

Responsible Officer	Deadline	procedure. This could result in reputational damage and negatively impact the tenant's experience.
Head of Tenancy & Caretaking	18 November 2024	

Control Area 1: Legislative, Organisational and Management Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 5
2	Training is ongoing, Officers and managers have attended the following training: Tenancy Fraud - August 2024 Damp and mould: January 2024 – 22nd, 31st February 2024 – 6th, 15th, 19th and 27th Further training is to be held on November 24. NEC training is delivered on an ongoing basis. Two Training sessions were held in 2024. Training logs are available.	**Expected Control** TOs have appropriate training in order to be able to carry out tenancy checks that includes: • How to identify indicators of tenancy fraud; • How to identify and log damp and mould or other issues identified within the property; and, • The approach to take when interacting with vulnerable people. Records of this training should be logged centrally. **Finding/Issue** Discussion with the Head of Tenancy and Caretaking highlighted that there is no formal training log for officers to detail which TOs have received what training. The Head of Tenancy & Caretaking asserted that Damp and Mould training had been provided to the TO's between January and February 2024 Additionally, training was provided to staff on the new housing system NEC in February 2024, evidenced through email correspondence. However, no evidence was available that staff had received training on dealing with vulnerable tenants.

Responsible Officer	Deadline	
Head of Tenancy & Caretaking	Ongoing	During walkthroughs, Internal Audit noted that some staff were unfamiliar with the features of the NEC system. Discussion with the Head of Tenancy and Caretaking noted that they were aware of this and have planned additional NEC training. **Risk** Where training is not recorded, it is difficult to ascertain whether officers have adequate training for their duties, resulting in tenancy checks not carried out adequately/appropriately. Additionally, where staff are unfamiliar with the housing system and are unaware of its

		functionalities, they may not be using it correctly nor be able to locate information needed at that time.

Control Area 4: Management Reporting and Oversight

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 6
2	Tenancy Audits were recorded manually, whilst the process was built into NEC Housing Management System along with Power Object Reports. Checks must now be uploaded on to NEC. Checks (successful and unsuccessful) will only be formally accepted as having taken place if this information can be pulled from NEC. The manual sheet was made up of tenants where profiling information was missing. This information is and continues to be necessary to allow Croydon to make informed decisions about the services and tailor them accordingly to meet the needs of our residents- However, this information can now be identified via reports from the system. Performance is reported to Housing Management's Heads of	**Expected Control** The Tenancy Services team report on the number of checks carried out each quarter in the Housing Services Performance Monitoring Report. The number of checks reported are taken from the NEC housing management system, rather than self-reporting. No checks should be included in the total unless these have been uploaded to NEC. **Finding/Issue** The Housing Services Performance Monitoring Report for Q2 of 2023/24 showed that 141 successful checks and 139 unsuccessful checks were carried out against a target of 450. This was based on self-reporting of the number of checks by TOs through the Tenancy Officer KPI report (internally held spreadsheet, updated by TOs), rather than information being drawn from system data. The Data Cleansing Spreadsheet showed that: • in November 2023, 18 successful and four unsuccessful checks were recorded. • in December 2023, 20 successful and 46 unsuccessful checks were recorded. These figures do not align with the Tenancy Officer KPI report which details that: • In November 2023, 48 successful and 42 unsuccessful checks were conducted • In December 2023, 61 successful and 54 unsuccessful checks were conducted As noted in **Issue 2**, the Head of Tenancy and Caretaking did not believe that all checks were being recorded in the Data Cleansing Spreadsheet. It was unclear why two manual spreadsheets were maintained to record checks.

Service and to the Performance Monitoring Groups. The use of a data cleansing spreadsheet will no longer be relied upon when reporting performance.	**Risk** 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. Where self-reporting data does not align with the self-reported checks there is a risk that Officers are not recording all checks, resulting in wasted time, or that high risk tenancies might not be checked.

Responsible Officer	Deadline	
Head of Tenancy & Caretaking	1 November 2024	

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AUDIT TERMS OF REFERENCE

Visiting Team

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 May 2024. 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.

1.5   This audit was undertaken as 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:

- Walked-through the processes to consider the key controls;
- Conducted sample testing of the identified key controls, and
- Reported on these accordingly.

3.   SCOPE

3.1   This audit, focused on the Council's arrangements in relation to the Visiting Team (Housing). The specific scope included the following areas and recommendations:

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Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	-	2	-
Resource Management and Scheduling of Visits	2	-	-
Record Keeping and Information Management	1	-	-
Management Reporting and Oversight	-	1	-
Total	**3**	**3**	**0**

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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.

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Statement of Responsibility

We take responsibility to 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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