

Final Internal Audit Report

Temporary Accommodation – Occupancy checks

May 2018

Distribution:

- Executive Director of People
- Director of Housing Need
- Head of Housing Solutions
- Housing Initiative Manager

Assurance Level	Recommendations Made	
Substantial assurance	Priority 1	0
	Priority 2	3
	Priority 3	0

Status of Our Reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd 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.

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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.....	2
2. Key Issues.....	2

Detailed Report

3. Actions And Key Findings/Rationale.....	3
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Appendices

- 1. Terms Of Reference
- 2. Definitions For Audit Opinions And Recommendations
- 3. Statement Of Responsibility

1. Introduction

- 1.1 Temporary accommodation is a vital service delivered by the London Borough of Croydon, which provides appropriate housing to those who have been made homeless. In addition, emergency accommodation is also provided to support immediate housing needs. In theory, tenants reside in emergency accommodation before moving onto temporary accommodation that suits their requirements.
- Emergency accommodation usually takes the form of bed & breakfast, hotels and hostels, which are charged at a daily rate, whilst temporary accommodation consists of mainly houses and flats charged at a weekly rate. The Council holds just over 700 properties in total.
 - The majority of tenants are vulnerable individuals, and are also in receipt of housing benefit or universal credit.
- 1.2 It is of great importance that the Council ensures they are providing appropriate accommodation, in a timely manner, to the appropriate people, and are collecting payments in both an efficient yet sensitive manner.
- 1.3 For the period 1st August 2015 to 27th October 2017, there have been 185 tenancies cancelled, of which 61 were rebooked.

2. Key Issues

Priority 2 Issues

Occupancy checks were not being undertaken for all properties and were not occurring in line with Council policy. Where these did occur, there was no evidence of how tenants were verified or whom had conducted the occupancy check. Occupancy checks had not been appropriately recorded. **(Issue 1)**

Properties made void were not being reallocated in a timely manner. **(Issue 2)**

OHMs is not updated in a timely manner to reflect the property status. **(Issue 3)**

3. Actions and Key Findings/Rationale

Control Area 2: Occupancy Checks		Detailed Finding/Rational – Issue 1
Priority	Action Proposed by Management	
2	<p>There is a RAG rating spreadsheet kept that shows how often checks are to be made on the EA properties. This sheet is updated following each visit to a property. Three of the properties referred to in the first point did look as if they had not been visited on the sheet but this was because they were not currently in use by the HEAT team. This was discussed with the auditor and the sheet was amended to make this more obvious. There is now a note on the sheet against all properties not currently in use as EA.</p> <p>The new T system provides daily reports which identifies voids and saved placements in real time. This new system has recently been introduced and enables services to better manage the voids process and speed up turnaround.</p> <p>We accept the need to control voids and speed up turnaround. The Housing Standards team prioritise visits for non-Council TA, (Council TA properties are visited by tenancy teams) and undertake periodic spot checks of these properties. These visits are carried out periodically in geographical patch areas and</p>	<p>Occupancy checks should be undertaken on a regular basis for all properties, to help ensure that the correct tenants are residing in the property and to identify any abandoned, cancelled and damaged properties in a timely manner so as to allow repairs and reallocation to take place promptly.</p> <p>Examination of the records relating to four emergency accommodation (EA) and six temporary accommodation (TA) properties for the period April to July 2017 found that:</p> <ul style="list-style-type: none"> • The four EA properties had all been visited within the period tested; however, three of the properties had not been visited as per the associated RAG (i.e. Red, Amber or Green) rating required frequency. • None of the six TA properties had been visited since being added to the Council's TA property listing. <p>Examination of the 'Emergency accommodation/B&B potential savings from empty rooms' spreadsheet, which detailed 185 cancellations for the period August 2015 to October 2017, established that 61 of the properties that were 'Room cancelled for non-occupation' included notes showing that the tenants were subsequently rebooked into the same or another property. It was noted that the ratio of rebooked properties to cancellations improved in 2017, with only nine of the 34 cancellations for the period June to October 2017 being rebooked.</p> <p>Discussion with the Head of Service established that the Housing Standards team had only been undertaking occupancy checks on EA properties. It was explained that TA properties are normally managed by a landlord, who as part of their agreement with the Council are expected to undertake the necessary</p>

<p>outcomes are recorded in the shared collaboration area.</p> <p>Going forward, weekly let lists will be provided for the Housing Standards team to visit during the first few weeks of occupancy. This will check that the right people have taken possession of the property and any sublet identified early on. Providers will also report back anything unusual or suspicious from their monthly checks and the team will factor in another visit.</p> <p>Weekly collaborative team meetings are held to review and progress outcomes e.g. possession action for subletting.</p>	<p>occupancy checks. It was agreed that going forwards, the Housing Standards team will RAG rate each TA property and undertake periodic spot checks of these properties.</p> <p>Where occupancy checks are not undertaken, there is a risk that a property lies vacant, is occupied by an inappropriate person(s) or is in disrepair and is not identified in a timely manner. This can result in those persons in need of a suitable property not being appropriately housed in a timely manner.</p> <p>In addition, where there is a lack of information recorded on OHMS to evidence the identify checks undertaken or who undertook the occupancy checks, there is a risk that where any future issues or concerns arise, there is a lack of audit trail.</p>
<p>Responsible officer</p> <p>Head of Service Development</p>	<p>Deadline</p> <p>Now in place</p>

Control Area 3: Management of Voids		Detailed Finding/Rational – Issue 2
Priority	Action Proposed by Management	
2	<p>Going forward there is a new database which will identify voids. Currently this information is kept on a separate spreadsheet.</p> <p>Going forward the Council will carry out spot TA occupancy checks, which should help to identify voids in a more timely manner and thus enable more individuals to move from emergency accommodation to TA.</p> <p>For the identified properties:</p> <p>One has been visited and a contact letter left. No contact was made by the occupant and this will be picked up by Housing initiatives.</p> <p>Another has been visited and the appointee has responded.</p> <p>And another is a Croydon affordable homes property. This was let on 4/12/17 and the Housing Standards team GRS checks are randomly carried out on a geographical basis, with an officer allocated for each patch. 300 have been completed. If there is no response at the property, letters are left advising the tenants that they need to make contact with the HST. Outcomes are shared in the collaboration area.</p>	<p>Reallocating of void properties in a timely manner ensures that the Council can rehome people in a similarly timely manner and consequently help reduce the backlog of applicants requiring accommodation. It can also reduce the financial loss incurred by the Council where properties are not being let as soon as possible.</p> <p>Examination of the records relating to five temporary accommodation (TA) properties (two council-owned TA's, two properties under the Guaranteed Rent Scheme (GRS), and one from the Housing Association) that became void between December 2016 and June 2017 established that:</p> <ul style="list-style-type: none"> • One of the council-owned properties did not receive an offer for re-let until a month after being ready to let. • For two of the properties (both GRS properties); the auditor was unable to substantiate when these properties were first identified as 'void'. • Four properties were not reallocated within a timely manner. <p>The Head of Service explained that the identification of voids for non-Council owned TA's was the responsibility of the TA providers. However, going forwards the Council will try to undertake spot TA occupancy checks, which should help to identify voids in a more timely manner and thus enable more individuals to move from emergency accommodation to TA.</p> <p>Where reallocation of void properties is not taking place in a timely manner, there is an increased risk of the applicant backlog worsening. This could potentially be putting the safety and livelihoods of residents at risk, which poses a serious issue for the Council. There is also a cost impact of residents remaining longer in more costly emergency accommodation.</p>

	<p>Going forward, weekly let lists will be provided for the Housing Standards team to visit during the first few weeks of occupancy. This will check that the right people have taken possession of the property and any sublet identified early on. Providers will also report back anything unusual or suspicious from their monthly checks and the team will factor in another visit.</p> <p>Weekly collaborative team meetings are held to review and progress outcomes e.g. possession action for subletting.</p>
Responsible officer	Deadline
<p>Head of Housing Solutions/ Head of Housing Needs and Assessments</p>	<p>Now in place</p>

Control Area 3: Management of Voids		Detailed Finding/Rational – Issue 3
Priority	Action Proposed by Management	
2	<p>OHMS is not suitable system for updating on spot purchases.</p> <p>The new T system provides daily reports which identifies voids and saved placements in real time. This new system has recently been introduced and enables services to better manage the voids process and speed up turnaround.</p> <p>We accept the need to control voids and speed up turnaround. The Housing Standards team prioritise visits for non-Council TA, (Council TA properties are visited by tenancy teams) and undertake periodic spot checks of these properties. These visits are carried out periodically in geographical patch areas and outcomes are recorded in the shared collaboration area.</p> <p>Going forward, weekly let lists will be provided for the Housing Standards team to visit during the first few weeks of occupancy. This will check that the right people have taken possession of the property and any sublet identified early on. Providers will also report back anything unusual or suspicious from their monthly checks and the team will factor in another visit.</p>	<p>OHMS is required to be updated with information in a timely manner, which enables other teams involved with the voids process to conduct their responsibilities in a more coordinated and timely manner. In addition, this allows for the more efficient and timely reallocation of void properties.</p> <p>Examination of the records relating to five temporary accommodation (TA) properties (two council-owned TA's, two properties under the Guaranteed Rent Scheme (GRS), and one from the Housing Association) that became void between December 2016 and June 2017 identified that OHMS had not been updated in a timely manner with the correct properties status for two of these properties.</p> <p>Examination of the 'Emergency accommodation/B&B potential savings from empty rooms' spreadsheet which detailed 185 cancellations for the period August 2015 to October 2017 established that 7 properties that were 'Room cancelled for non-occupation' included notes that, 'Case is not cancelled on OHMS. Checking reason with TA team.' There was no record of whether these were resolved.</p> <p>Where OHMs is not updated in a timely manner to reflect the current status of properties, there is a risk that properties are not promptly available for use and the Council loses revenue due to properties being un-occupied for an unnecessarily long period of time.</p>

Temporary Accommodation – Occupancy Checks 2017/18

	Weekly collaborative team meetings are held to review and progress outcomes e.g, possession action for subletting.	
Responsible officer Head of Housing Solutions/ Head of Housing Needs and Assessments	Deadline In place	

TERMS OF REFERENCE

Temporary Accommodation

1. INTRODUCTION AND BACKGROUND

- 1.1 Temporary accommodation is used for those persons who require emergency accommodation.
- 1.2 This audit is being undertaken as part of the Internal Audit Plan for 2017/18, as agreed by the Council's General Purposes and Audit Committee.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of the control environment relating to Temporary Accommodation – Occupancy Checks and Rebooking
- 2.2 In order to achieve the overall objectives, a risk based systems audit approach will be carried out, documenting and evaluating the actual controls against those expected and based on this, undertaking appropriate testing conducted.
- 2.3 The key findings, conclusions, and subsequent recommendations arising will be presented at an exit meeting and followed by the circulation of a draft report for consideration by management. Prior to agreement and issue of the final audit report.
- 2.4 The audit will aim to provide management with any good practice guidance arising that could be used on similar contracts.

3. SCOPE

- 3.1 The audit will include the following areas:
 - Regulatory, Organisational and Management requirements
 - Occupancy checks
 - Management of Voids
 - Payments and
 - Monitoring and Reporting
- 3.2 The audit will, where appropriate, in the above areas incorporate compliance with relevant statutes relating to the areas.

4. SCOPE





4.1 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management requirements	0	0	0
Occupancy checks	0	1	0
Management of Voids	0	2	0
Payments and	0	0	0
Monitoring and Reporting	0	0	0
Total	0	3	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

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 consistently 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 which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

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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