



CROYDON

Final Internal Audit Report

Placements in Housing Private Accommodation

June 2020

Distribution: Executive Director of Health, Wellbeing and Adults
(Final only)
Director of Housing Assessment and Solutions
Head of Temporary Accommodation & Service
Development (Interim)

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

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.

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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.

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1. Introduction

- 1.1 In accordance with the Homelessness Act 2002, the Council has a duty to assist households (who are not intentionally homeless) in various ways including providing temporary accommodation. Temporary accommodation is provided to 'tenants' on an interim basis while applicants' claims for homelessness are being investigated or until permanent accommodation becomes available.
- 1.2 The temporary accommodation provided is often in bed and breakfast type accommodation, or with private landlords. This audit focused on the use of private landlords. The Council operates three letting schemes with private landlords, namely Croylease, Guaranteed Rent Scheme (GRS) and Private Sector Leasing Scheme (PLA).
- 1.3 Croylease is an in-house, risk-free leasing scheme, which offers long leases (five years renewable to ten) where full repairs and insurance are covered and where guaranteed rents are paid directly to the landlord.
- 1.4 The GRS is offered to landlords and agents who wish to manage shorter and medium-term lets (minimum 12 months), where a bond is in place against damages (equivalent of six weeks rent) and where guaranteed rents are paid directly to the landlord
- 1.5 The PLA scheme is designed for landlords who are unable to manage the property themselves but do not want to be tied into a long lease. The scheme offers landlords flexible, hassle-free leases (one year-plus) renewable, free of charge, guaranteed rents and a management and maintenance service.

2. Key Issues

Priority 1 Issue

Comparison of the amounts paid for a sample of 30 properties (being 10 each of Croylease, GPS and PLA) to the amounts detailed in the contracts found that in five instances agreed contracts were not in place and in ten instances the amounts differed. **(Issue 2)**

Priority 2 Issues

While the Council monitors how many occupancy checks for PLA are carried out by the individual accommodation providers, it does not request any evidence of these checks. **(Issue 1)**

An exemption was made for the Placements in Housing Private Accommodation scheme to not have purchase orders, which was required to be reviewed following the upgrade of the One Oracle system to the My Resources system in May 2019. This review had not yet occurred at the time of audit. **(Issue 3)**

The Priority 3 issue is highlighted under area 4 below.

3. Actions and Key Findings/Rationale

<u>Control Area : Occupancy Checks</u>						
Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 1				
2	PLA providers to be asked to provide monthly data on all occupancy checks completed and any issues noted. PLA providers to notify LBC immediately where occupancy checks establish non-occupation of property.	As part of the contracts that are in place between the Council and its temporary accommodation providers, providers are required to carry out occupancy checks on behalf of the Council and the results of these checks communicated to the Council. Discussion with the Housing Solutions Operations Manager established that arrangements for these differ depending on the scheme. For Croylease and GRS, the Council uses its own officers to do these occupancy checks, while for the PLA the occupancy checks are carried out by the individual accommodation providers. The Council’s PLA team monitors how many checks are carried out each month by the providers, but does not request any evidence of these checks.				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Temporary Accommodation & Service Development (Interim)</td> <td>October 2020</td> </tr> </tbody> </table>	Responsible officer	Deadline	Head of Temporary Accommodation & Service Development (Interim)	October 2020	Where there is no evidence of the occupancy checks, there is increased risk that the checks are not being carried out and that tenants who have been allocated temporary accommodation do not occupy the accommodation. Where this is not monitored, this could lead to the Council overpaying for accommodation.
Responsible officer	Deadline					
Head of Temporary Accommodation & Service Development (Interim)	October 2020					

<u>Control Area : Payments to Providers</u>						
Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 2				
1	<p>10% sample checks introduced from April 2020 on monthly payment schedules for all schemes (with separation of duties across team members)</p> <p>Thorough investigation into all cases highlighted by audit to be conducted and issues addressed and rectified.</p> <p>Given the level of issues identified by this audit, a full audit of properties and agreements for all schemes is required – additional resources from outside the team will likely be required to complete.</p> <p>A review of all procedures to be undertaken to ensure clear consistent procedures with appropriate checks and measures are in place for the set-up, payment, renewal, payment amendment/increase, rent stop and ending of properties in all schemes.</p>	<p>Each private landlord will have a contract (dependent on the Scheme) with the Council detailing the payments due to them. Monthly spreadsheets for each scheme are sent to the Councils Accounts Payable team detailing the contractual payments due to each landlord.</p> <p>Examination of the reports and payments made for a sample of 30 properties (being 10 each of Croylease, GPS and PLA) found that:</p> <ul style="list-style-type: none"> • For five Croylease properties, payments were being made even though no contracts were in place. This was for two properties where the contracts were still in progress (1 property with a start date of 17 September 2018 and 1 property with a start date of 18 July 2017) and three properties where the contracts had been sent to the Councils previous external legal provider and not passed on to the Council’s new external legal provider (1 property with a start date of 26 March 2013, 1 property with a start date of 23 May 2017 and 1 property with a start date of 18 May 2016). • For one Croylease property the amount being paid each month differed to that in the contract due to the 2.5% annual uplift not being correctly applied. • For three GRS properties, the amounts paid to providers did not match the amounts stated in the contracts. • For five PLA properties the amounts paid did not match the contracts. For these it was established that the Council had reduced the management fees paid to providers from September 2019 onwards but that amended contracts were not yet in place. • For one PLA property the amount paid was different to that stated in the contract. 				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Temporary Accommodation &</td> <td>September 2020</td> </tr> </tbody> </table>	Responsible officer	Deadline	Head of Temporary Accommodation &	September 2020	<p>Where the Council is overpaying providers for the use of their properties or the amount on the contract is not known, there is an increased risk of financial loss. Furthermore, where contracts are not in place, the Council may lack recourse should a dispute with the property owner arise.</p>
Responsible officer	Deadline					
Head of Temporary Accommodation &	September 2020					

Service Development (Interim)		
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<u>Control Area : Payments to Providers</u>						
Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 3				
2	<p>Review the basis for the exemptions in place for the Placements in Housing Private Accommodation and make recommendations for any appropriate amendment/removal/continuation.</p> <p>Review all operational procedures for the Housing Initiatives Team to ensure fit for purpose.</p> <p>Implement a TA void management process</p>	<p>The Council Scheme of Financial Delegation sets out the financial limits for officers who have been granted delegated authority for specific financial functions, including the authorisation of purchase orders, and approvals.</p> <p>It was established that prior to April 2019 an exemption was made for the Placements in Housing Private Accommodation scheme to not have purchase orders, but that this exemption would be reviewed following the upgrade of the One Oracle system to the My Resources system in May 2019. This review had not yet occurred at the time of audit.</p> <p>Where the exemption allowing for the Placements in Housing Private Accommodation scheme to not have purchase orders is not reviewed, there is a risk that this exemption is not appropriate and is allowed to continue.</p>				
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Priority 3 Issue

Action Proposed by Management	Findings
<p>We will continue to monitor void properties weekly.</p>	<p>For one property, there was a period of time where the property was void. Discussion with the Housing Initiatives Officer established that the negotiator went on holiday and did not carry out a handover to the team, so a tenant's signup was delayed.</p> <p>It is noted that management has now ensured that void properties are monitored weekly to avoid this reoccurring.</p> <p>Where properties are vacant for extended periods of time, there is an increased risk that the Council will face financial loss for paying for empty properties. There is also an increased risk that members of the public face hardship as they do not get placed in properties when they are eligible.</p>

TERMS OF REFERENCE

Placements in Housing Private Accommodation

1. INTRODUCTION

- 1.1 In accordance with the Homelessness Act 2002, the Council has a duty to assist households (who are not intentionally homeless) in various ways including providing temporary accommodation. Temporary accommodation is provided to 'tenants' on an interim basis while applicants' claims for homelessness are being investigated or until permanent accommodation becomes available.
- 1.2 The Council performs a number of duties for temporary accommodation, including initial health and safety inspections, and monitoring to ensure value for money through occupancy checks and monitoring of voids.
- 1.3 The temporary accommodation provided is often in bed and breakfast type accommodation, or with private landlords. This audit will focus on the use of private landlords.
- 1.4 This audit is being undertaken as part of the agreed Internal Audit Plan for 2019/20.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes relating to Placements in Housing Private Accommodation.
- 2.2 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.3 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 Council's arrangements for the following areas relating to Placements in Housing Private Accommodation (and number of issues identified):

Control Areas/Risks	Identified Issues		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	0	0
Void Control	0	0	1
Health and Safety Inspections	0	0	0
Occupancy to Checks	0	1	0





Placements in Housing Private Accommodation - 2019/20

Payments to Providers	1	1	0
Management Reporting	0	0	0
Total	1	2	1

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 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 identified issues 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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