

FINAL INTERNAL AUDIT REPORT
EDUCATION, CARE AND HEALTH SERVICES

REVIEW OF TEMPORARY ACCOMMODATION AND RENT ACCOUNTS FOR 2017-18

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REVIEW OF TEMPORARY ACCOMMODATION AND RENT ACCOUNTS FOR 2017-18

INTRODUCTION

1. This report sets out the results of our systems based audit of Temporary Accommodation for 2017/18. The audit was started in quarter 4 as part of the programmed work specified in the 2017-18 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 01 March 2018.
4. The Temporary Accommodation service is split between the Housing Team (within Bromley) and the Exchequer Contractor's Housing Accommodation Charges Team. The review also considered the Housing Rent Accounts raised for Leaving Care clients.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that Substantial Assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

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7. Controls noted to be in place and working well included:

- Sign Up packs were in place and appropriately reviewed for a sample of 20 temporary accommodation cases sampled;
- Sign Up packs and checklists were being sent to the Housing Accommodation Charges Team (HAC) in all 20 cases sampled;
- Two new Visiting Officers have been introduced to complete property inspections to confirm that tenants are residing in temporary accommodation awarded;
- Contracts were in place with landlords where placements were being offered for 20 temporary accommodation placements sampled;
- Accurate information was included on the system regarding the payments required, in the sign up packs and the confirmed rent payments;
- Eviction referrals were being sent to Housing on the basis of recovery action taken by HAC for a sample of 10 eviction cases sampled;
- Eviction referrals were reviewed by Housing and either agreed or rejected in the aforementioned eviction sample tested;
- Performance reports were run on a monthly basis by HAC detailing arrears, debts and the collection statistics. These reports were sent to Housing.

However, we would like to bring the following issues to management attention - Housing bullet points 1-2, HAC 3 & 4, Finance 5 and Leaving Care Team bullet point 6:-

- Evidence of the Landlord being notified of a new tenant placement could not be identified as having been retained in three out of 20 cases sampled;
- Landlords are not always notified of evictions in a timely manner, with one out of 10 cases sampled identifying that there was a delay in the notice to quit being sent. In addition, there was one instance from the 10 selected where there was no evidence that the landlord had been notified of the tenant's eviction.
- Arrears collection procedures (for current tenants) are not always being followed. There were three out of 10 instances where reminder 1 letters were not sent out in a timely manner. In addition, there were two out of eight cases sampled where reminder 2 letters were not sent out in a timely manner.
- A sample of 10 former arrears cases identified that in two instances out of 10, the arrears had been documented as written off but no action had been taken to write off the debt. For four out of 10 of the cases sampled, the 1st and 2nd reminder letters were not timely, and in one case action had not been undertaken on a case for over one full year.

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- Issues found by Housing as a result of the reconciliations completed by HAC do not have relevant dates relating to the identification of the issue and an appropriate deadline for the issue;
 - Debts in error have been identified as having been created where tenant's records are not appropriately removed from the database when they leave the property.
8. At the time of the audit testing, HAC was responsible for the set-up of rent accounts. It was found that for the sample of current rent accounts, in 6 out of the 20 cases examined, there was a delay of more than three days between the sign-up-pack being received and requested by the Housing Team and the date at which the rent accounts were set up on the system. No recommendation has been made in this report given that the responsibility for setting up rent accounts was transferred from HAC to Housing in July 2018 and no audit testing was completed on sign ups after the change.

SIGNIFICANT FINDINGS (PRIORITY 1)

9. There were no priority one recommendations raised as part of this audit.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

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DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1	<p><u>Confirmation of placements to Landlord (Housing Team)</u></p> <p>For a sample of 20 temporary accommodation placements selected we identified that in 17 cases there was confirmation of the placement to the landlord available on file but in three cases we were unable to see evidence of this.</p>	<p>Where landlords are not notified of any new placements there is a risk that duplicate placements may be allocated and also a risk that landlords may not be receiving the correct fees for their properties. This could result in reputational damage for the Council.</p>	<p>Management should remind staff to keep evidence of all notifications to landlords and ensure that landlords are notified in a timely manner for all placements.</p> <p>(Priority 2)</p>
2	<p><u>Eviction Notification to the Landlord (Housing)</u></p> <p>For a sample of 10 evictions selected, it was identified that in three cases the eviction was not authorised as the tenant increased their payments.</p> <p>For the remaining seven cases the eviction was authorised and subsequently in all seven cases a notice to quit was sent to the tenant. Of these seven cases:</p> <ul style="list-style-type: none"> • There was one instance where the landlord was notified a month after the notice to quit had been sent out (not in a timely manner), and • One instance where there was no evidence to confirm that the landlord had been notified of the eviction. 	<p>Where the landlord is not notified or is not notified in a timely manner of an eviction there is a risk that they are unable to monitor their placements and may be unhappy with the Council's service, resulting in reputational damage.</p>	<p>Management should remind staff of the requirement to notify landlords of eviction proceedings in a timely manner and should ensure this procedure is being followed.</p> <p>(Priority 2)</p>

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DETAILED FINDINGS

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No.	Findings	Risk	Recommendation
3	<p><u>Arrears Current Tenants (HAC)</u></p> <p>For a sample of 10 arrears cases selected we confirmed that:</p> <ul style="list-style-type: none"> • In seven cases a first reminder was sent in a timely manner but in three cases the reminders were delayed by at least three months; • For the remaining eight cases, in two instances the second and final reminder letters were not sent in a timely manner due to a backlog. <p>The arrears procedure was checked to the Sundry Debtors, Mortgage and Corporate Debt, Service Level Agreement provided by Exchequer Services.</p> <p>Discussions with the Team Leader identified that there has been a backlog of chasing arrears due to the increase in temporary accommodation placements. As a result there have been some delays in chasing arrears. The aim is to act upon these delays and ensure that they do not occur in the future.</p>	<p>Where arrears are not chased in a timely manner there is a risk that the repayments will not be made which could result in financial loss for the Council.</p>	<p>The Exchequer contractor should be reminded to follow the Sundry Debtors Mortgages Contract section 2.20 to recover debts in a timely manner.</p> <p>Management should be informed of sundry debts so that they can monitor any long outstanding arrears.</p> <p>(Priority 2)</p>

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No.	Findings	Risk	Recommendation
4	<p><u>Debt Recovery for Former Tenants (HAC)</u></p> <p>For a sample of ten former tenants (debts in place) we identified the following;</p> <ul style="list-style-type: none"> • For two cases they were documented as write offs on the monitoring spreadsheet however these have not yet been written off. No action has been taken with regards to these debts. <p>Discussions with the Team Leader identified that the HAC team are currently completing a review of all former tenants who have been documented as written off to confirm if they actually have been written off and if not recovery action will be taken in line with procedures.</p> <ul style="list-style-type: none"> • In four cases the first reminder and second reminder letters were not sent in (14 days after payment initially due - reminder 1 and a further 14 days after the first reminder letter is sent – reminder 2) resulting in debts outstanding for a long period. • For one account there was information regarding the debtors’ ability to pay the debts in July 2016 due to being vulnerable and unable to manage finances. Further action in the form of reminder letters begun again in January 2018. <p>Discussions confirmed delay were due to the accumulation of work as previously mentioned and the team are trying to currently still trying to manage the backlog.</p>	<p>Where debt recovery procedures are not followed and debt is not collected there is a risk of financial loss for the Council which cannot be recovered.</p>	<p>Management should ensure that the review of debts which are documented as ‘written off’ on the monitoring spreadsheet is completed to make sure that all status’ are correct on the spreadsheet.</p> <p>Where the debts have not been written off action should be taken to either chase the debts or write them off if appropriate.</p> <p>Staff should be reminded to follow procedures and ensure debts are chased up in a timely manner. Where there are delays management should be informed so that they can monitor any long standing debts.</p> <p>(Priority 2)</p>

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DETAILED FINDINGS

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No.	Findings	Risk	Recommendation
5	<p><u>Issues Log (Finance - Accounts)</u></p> <p>An issues log is maintained where issues found are detailed along with the status of each issue. Follow up meetings are held between the Exchequer contractor and Finance.</p> <p>The issue log is a live document and it was recently introduced in Q2. For the end of the 2017/18 financial year there were four issues outstanding. As at July 2018 there still remains three issues to resolve. These are with respect to two opening balancing figures of the system and £34,000 worth of LCT personal charges.</p> <p>The issues log does not include dates of when issues were identified and subsequently cleared so audit are unable to verify if issues are cleared in a timely manner.</p>	<p>Where there are no timescales included on the issues log there is a risk that issues remain for long periods of time and are not appropriately actioned and dealt with.</p>	<p>Management should consider including the date the issue was identified and recorded and assign an appropriate deadline for its resolution within the Issues log.</p> <p>(Priority 2)</p>

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6	<p><u>Debts Raised in Error – Leaving Care Team</u></p> <p>Audit was advised that on a weekly basis a movement spreadsheet is sent from the Leaving Care Team (LCT) team to the Exchequer contractor. This should show all LCT clients moving in and out of properties. The Exchequer contractor then manually updates the system with this information. No checks are undertaken by the Exchequer contractor on whether there is another client still booked to that accommodation.</p> <p>Audit was made aware of one LCT case where two clients were effectively booked to the same property creating a debt of £31,000. This caused a ‘debt raised in error’ and was required to be adjusted. It is unclear who approved this adjustment. It is understood that this is not an isolated case but there is no process to identify “debts raised in error” which is overstating the total debt value.</p> <p>The error occurred because a change and termination of one placement was not detailed on the movement sheet before a new client was assigned to the same property. The accuracy of information shown on the system for the LCT clients relies on the quality of information supplied by the LCT. There is currently no report from the system available to identify possible duplications but initial enquiries with the System Support Officer indicates that a BOXI report may be able to capture data as an exception report which could be issued to LCT to check.</p>	<p>Where there are ‘debts raised in error’ due to tenants not being appropriately removed from properties there is a risk that debts are overstated and the LBB are anticipating receiving more money than they are going to obtain.</p>	<p>All case workers to be reminded to update the Income Officer (LCT) immediately placements change.</p> <p>The Income Officer (LCT) should ensure that the information recorded on the movement sheet is accurate. Placements should be terminated in a timely manner to prevent duplication of clients being assigned to the same address.</p> <p>LCT should explore the possibility of generating a regular BOXI report to identify different names and start dates at the same address. This report would support the Income Officer (LCT) and identify duplicates before any impact on the rent accounts.</p> <p>(Priority 2)</p>

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APPENDIX B

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>Housing</p> <p>Management should remind staff to keep evidence of all notifications to Landlords and ensure that Landlords are notified in a timely manner for all placements.</p>	2	<p>Agreed. 1:1 format has been reviewed to include drill down on a selection of cases each month. Dip sample to be reviewed by senior managers.</p>	<p>1:1's TM – Allocations</p> <p>Head of Allocations & Accommodation - Dip sample</p>	November 2018
2	<p>Housing</p> <p>Management should remind staff of the requirement to notify landlords of eviction in a timely manner and should ensure this procedure is being followed.</p>	2	<p>Staff do receive reminders however following the audit recommendation we will be compiling a process checklist to ensure that all steps are appropriately followed.</p>	<p>Head of Allocations & Accommodation</p>	March 2019

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
3	<p>HAC</p> <p>Staff should be reminded to follow procedures and ensure arrears are chased up in a timely manner. Where there are delays management should be informed so that they can monitor any long outstanding arrears.</p>	2	<p>The Exchequer contractor has been reminded of the need to ensure the service level requirements are adhered to and debts are followed up in a timely manner.</p> <p>Due to the increase in the caseload the resources dealing with this area of work was increased in April 2018 any backlog that remains is being cleared.</p>	Exchequer contractor Senior Operations Manager	November 2018

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
4	<p>HAC</p> <p>Management should ensure that the review of debts which are documented as 'written off' on the monitoring spreadsheet is completed to make sure that all status' are correct on the spreadsheet. Where the debts have not been written off action should be taken to either chase the debts or write them off if appropriate.</p> <p>Staff should be reminded to follow procedures and ensure debts are chased up in a timely manner. Where there are delays management should be informed so that they can monitor any long outstanding debts.</p>	2	<p>The Exchequer contractor has been reminded that it is their responsibility to review the write off spreadsheet and ensure it is kept up to date and the information is accurate.</p> <p>The Exchequer contractor will carry out a review and take the appropriate remedial action by the deadline date.</p>	Exchequer contractor - Senior Operations Manager/Operations Manager	November 2018

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
5	<p>Finance</p> <p>Management should consider including the date the issue was identified and recorded and assign an appropriate deadline for its resolution within the Issues Log.</p>	2	<p>The issue log was introduced during the last year to keep a track and manage issues within the quarterly HAC Reconciliation.</p> <p>The additional of the dates is a good idea and will be implemented, but this won't stop an issue being on the log for a long time as some of the issues require supplier input to resolve and this is outside of ours and the Exchequer contractor's hands.</p>	Senior Accountant	October 2018

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Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
6	<p>Leaving Care Team</p> <p>All case workers to be reminded to update the Income Officer (LCT) immediately placements change.</p> <p>The Income Officer (LCT) should ensure that the information recorded on the movement sheet is accurate. Placements should be terminated in a timely manner to prevent duplication of clients being assigned to the same address.</p> <p>LCT should explore the possibility of generating a regular BOXI report to identify different names and start dates at the same address. This report would support the Income Officer (LCT) and identify duplicates before any impact on the rent accounts.</p>	2	<p>All case workers to be reminded that the Income Officer must be informed when there is any change to a placement.</p> <p>A new Income Officer has recently been appointed which has been a good opportunity to review working practices. Checking the accuracy of the movement sheet prior to submission to the Exchequer contractor will be prioritised.</p> <p>LCT will request help from colleagues in Housing and the Exchequer contractor to provide a regular report from the system to support the work of the Income Officer and identify potential duplications.</p>	Group Manager Leaving Care	Nov 2018

OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.