

# Final Internal Audit Report

## Temporary Accommodation: Standards in Private Sector

July 2021

Distribution: Interim Executive Director of Housing  
Director of Housing Assessment and Solutions  
Head of Temporary Accommodation & Service Development (Interim)  
Emergency Accommodation Team Manager

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	2
	Priority 2	4
	Priority 3	0

### 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. Under the Housing Act 1996, the Council has a legal duty to provide temporary accommodation to certain groups who find themselves unintentionally homeless. Wherever possible, Council-owned housing will be preferred. However, due to the long-standing shortage of council homes in the Borough, it is necessary for the Council to source temporary accommodation from private landlords in order to fulfil its housing obligations.
- 1.2. The Council must ensure that temporary accommodation procured from private landlords still meets the same minimum requirements as for Council-owned temporary housing, as set out in legislation and in the Council's own policies. The minimum standards set must consider that those in temporary accommodation are often particularly vulnerable and take into account particular needs that individuals or families may have.
- 1.3. Due to the COVID-19 pandemic, on 27 March 2020, the Ministry for Housing and Local Government instructed local housing authorities in England to provide temporary accommodation for anyone who was rough sleeping or at risk of rough sleeping, which significantly increased the number of individuals whom the Council was required to house.
- 1.4. In order to increase the supply of temporary accommodation, the Council has some landlord incentive schemes in place, namely the Guaranteed Rent Scheme (GRS), the Croybond scheme, Croylease and the Private Sector Leasing (PSL) scheme, each with different characteristics.
- 1.5. The fieldwork for this review was completed during the government measures put in place in response to COVID-19. While our review and testing was performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.6. The audit was undertaken as part of the agreed Internal Audit Plan for 2020/21. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

## 2. Key Issues

- 2.1. The key issues identified are as below:

### Priority 1 Issues

Electrical, gas and energy certificates were not located for some of the sample of Croybond properties and most of the sample of Croylease properties checked. (**Issue 2**)

Decent Homes Inspection' reports were not available for eight of the sample of 15 property records checked. (**Issue 6**)

**Priority 2 Issues**

Formal work related training was generally not provided (and there was no systematic record of formal staff training), and there was a lack of clear documented guidance / procedure notes. **(Issue 1)**

Examination of the records held for a sample of five GRS, five Croybond Scheme and five PSL properties identified that copies (or evidence of checks) of building insurance (covering boilers) was not retained for any of the properties. **(Issue 3)**

Whilst the Housing Initiatives Officers confirmed that they would check a landlord had a private rented property licence, either by asking for a copy of the license or by checking against the Council's internal records, no record of these checks has been made in the case files for any of the properties examined in testing. **(Issue 4)**

Discussion with the Housing Initiatives Officer and the Head of Temporary Accommodation established that the Council does not have any direct controls against taking on landlords with past criminal convictions and landlord checks with other local authorities for out of borough properties were not conducted. **(Issue 5).**

No Priority 3 issues were raised.

### 3. Actions and Key Findings/Rationale

#### Control Area 1: Legislative, Organisational and Management Requirements

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
2	<p>Officers undertaking the procurement of property on the Housing Initiatives team prior to June 2020 were HHSRS qualified. These officers were required to leave due to a change in the directive on the employment of agency staff. This left a skills gap that was filled by other officers, some of whom had the required qualification and some who did not. Plans are in place to procure appropriate training for officers to achieve an accreditation in the HHSRS (housing, health and safety rating system). This will ensure that officers do have the required knowledge to procure properties to the correct standard.</p> <p>Procedures are being developed to assist the team and will assure consistency of approach and decision making.</p> <p>1. The skills gap to be addressed by all team officers receiving</p>	<p>In order to help ensure continuity and consistency of service and that all staff are able to effectively perform their duties, appropriate training and guidance should be available and provided to staff.</p> <p>Discussion with the Head of Temporary Accommodation established that formal work related training was generally not provided (and there was no systematic record of formal staff training), although some Microsoft Word and Excel and other similar training is provided. We were advised that the team places a heavy reliance on staff members' previous housing experience and so potentially neglect formal training opportunities. In particular, it was noted that several of the officers have not had formal training in the <i>Housing Health and Safety Rating System</i> (HHSRS), the health and safety requirements mandated for use in temporary accommodation by the government. The HHSRS is a key control against health and safety issues in housing, which procuring officers must be familiar with in order to effectively execute their duties.</p> <p>Discussions with the Head of Temporary Accommodation established that the Housing Initiatives Team does not have clear documented policies and procedures in place with relation to Temporary Accommodation. In further discussion, Housing Initiatives Officers stated that the Council's expected standards were not made clear, resulting in inconsistent practices between different officers.</p> <p>Though officers have access to government guidance, this does not lay out the council's own requirements on top of those set out in legislation, such as boiler insurance cover – a control which appears to be operating ineffectively, with no evidence of insurance coverage found for any of the 15 properties tested in a sample (see issue 3).</p> <p>Where appropriate training records are not kept, there is a risk that gaps in the team's skills and knowledge will go unnoticed, and opportunities to add value through targeted training will</p>

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	<p>formal training to achieve the HHSRS qualification enabling them to ensure that properties being procured do meet the required safety standards.</p> <p>2. Current property inspection procedures to be revised and made more detailed to enable consistency and clear guidance.</p> <p>3. All staff training to be recorded on My Resources</p>	<p>be overlooked. The lack of clear documented guidance further adds to these gaps in team skills and knowledge. There is a particular risk that unfamiliarity with the requirements of HHSRS amongst procuring officers may result in properties that do not meet HHSRS standards being procured by the Council.</p>
Responsible Officer	Deadline	
<p>1. Head of Service/Housing Initiatives team manager</p> <p>2. All officers procuring &amp; inspecting property</p> <p>3. Quality team manager</p>	August 2021	

## Control Area 2: Identifying Suitable Accommodation

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2
1	<p>All electrical, gas and energy certificates should be collected, checked and stored into the property file on the share point site by the HI procurement officer. No property should be signed up with a landlord before all of the correct documentation is in place. This is outlined in the current general procurement procedure for Croybond, GRS and Croylease properties. It is possible that, as suggested, the documents were collected but not uploaded onto the system. A number of officers on temporary contracts who were procuring properties have now left the Council so this cannot now be checked with them.</p> <p>1. The current procedure is to be revised to make sure that it has very clear and concise instructions on the collection, checking and storing of all certificates relating to every property being procured.</p> <p>2. The scheme officer must make checks that all documentation is in place on the system before any property is signed up for use by</p>	<p>The Homelessness (Suitability of Accommodation) England Order 2012, provision 3 details that, <i>'For the purposes of a private rented sector offer under section 193(7F) of the Housing Act 1996, accommodation shall not be regarded as suitable where one or more of the following apply–</i></p> <p><i>(b) the local housing authority are of the view that any electrical equipment supplied with the accommodation does not meet the requirements of regulations 5 and 7 of the Electrical Equipment (Safety) Regulations 1994(1);</i></p> <p><i>(h) the accommodation is or forms part of residential property which does not have a valid energy performance certificate as required by the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007(4);</i></p> <p><i>(i) the accommodation is or forms part of relevant premises which do not have a current gas safety record in accordance with regulation 36 of the Gas Safety (Installation and Use) Regulations 1998(5)'</i></p> <p>Examination of the records held for a sample of 15 properties, (five GRS, five Croybond Scheme and five Croylease Scheme) identified that a number of key documents had not been retained, as follows:</p> <ul style="list-style-type: none"> <li>- Electrical certificates for two Croybond properties and four Croylease properties.</li> <li>- Gas certificates for two Croybond properties and four Croylease properties.</li> <li>- Energy certificates for two Croybond properties and five Croylease properties.</li> </ul> <p>It is unclear whether these documents were never collected in the first place, or were collected but not uploaded into the property's file in the shared drive.</p> <p>Where the Council is unable to properly demonstrate that checks in line with the requirements of provision 3 of the Homelessness (Suitability of Accommodation) England Order 2012 have</p>

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	<p>the Council. If a property does not have the correct documents in place then these must be requested, checked and uploaded before the property is signed up.</p> <p>3. Periodic sample checks must be made by the team manager for every scheme to make sure that the correct documentation is in place.</p> <p>4. Further sample checks to be made by the Quality team to reduce the risk of documentation not being stored correctly and the Council using accommodation that is not suitable as outlined under the Housing Act.</p> <p>5. All Landlords/Agents for existing properties to be written to with request to provide LBC with up to date documentation for their properties on HI Scheme/s.</p> <p>6. New Housing IT System development to ensure all compliance/standards data is captured and fields in system made mandatory</p>	<p>been undertaken, the Council is in breach of the Order and there is a risk that the Council would not be able to demonstrate due diligence should an incident occur.</p>
Responsible Officer	Deadline	
1. Head of Service/Housing Initiatives team	August 2021	



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manager 2. All officers procuring & inspecting property 3. Quality team manager		
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Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3
2	<p>The correct documentation relating to the properties in use and the newly procured properties must have all of the documentation held on the system and referenced clearly to the specific property it relates to.</p> <ol style="list-style-type: none"> <li>1. Procedures, checks and measures to be put in place to ensure that copies of building insurance documents are stored on the system and clearly labelled for ease of access within the property documentation.</li> <li>2. Check list to be implemented to ensure all compliance and necessary documentation is checked and correctly stored at the point of procurement and sign up of the property.</li> <li>3. Periodic sample checking to be put in place to ensure compliance (Operations Manager/Quality Team Manager).</li> </ol> <p>Note: The insurance for boiler cover only applies to new leases , the sample checked were on old leases and did not require insurance as under the old lease all Croylease properties were</p>	<p>One of the checks required by the Council for new properties is to confirm that appropriate buildings insurance is in place, which covers the boiler. This is to provide assurance that should the boiler fail, that the landlord is able to have this repaired in a timely manner. (Note: Croylease properties are exempt from this, as the Council provides insurance for these properties on a group basis).</p> <p>Examination of the records held for a sample of 15 properties, (five GRS, five Croybond Scheme and five PSL) identified that certificates of building insurance (covering boilers) had not been retained for any of the properties, nor was there evidence that these had been asked for.</p> <p>Where evidence current buildings insurance, which covers the boiler, is not obtained, there is a risk that should the boiler fail that the landlord may not be able to have this repaired or repaired in a timely manner resulting in the tenant needing to be rehoused.</p>

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	added to a corporate insurance policy.	
Responsible Officer	Deadline	
1. Head of Service/Housing Initiatives team manager 2. All officers procuring, inspecting and signing up property 3. Quality team manager	Immediately	

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4
2	<p>A clear record of any checks made on other systems or with other LBC teams to confirm licensing must be kept with the rest of the documentation held on the system for each specific address. The record must show the date of the check and the outcome of the check with license details for future reference.</p> <ol style="list-style-type: none"> <li>1) Procedure to set out requirement for license/other local checks to take place together with what information is to be stored in the records.</li> <li>2) Check list to be implemented to ensure all compliance and necessary documentation is checked and correctly stored at the point of procurement and sign up of the property.</li> <li>3) Periodic sample checking to be put in place to ensure compliance (Operations Manager/Quality Team Manager).</li> </ol> <p>Note: Croylease scheme properties are exempt from requirement for LBC licence as</p>	<p>As part of its drive to make Croydon a 'Better Place to Rent', Croydon Council designated the borough a private rented property licence area. This meant that from 1 October 2015 it was a legal requirement for the owner or agents of every privately rented home in the borough to apply to the council for a Croydon private rented property licence. This license provides assurance that the license holder is fit and proper to manage their properties and that the license holder complies with the conditions of the license which ensure six monthly inspections, fire alarm checks, new tenants checks and problems are tackled immediately. Although the scheme officially ended on 30 September 2020, the Council is looking to reinstate it pending government approval. It should be noted that Croylease Scheme properties were exempt from the private rented property licence.</p> <p>Whilst the Housing Initiatives Officers confirmed that they would check a landlord had been licensed, either by asking for a copy of the license or by checking against the Council's internal records, no record of these checks has been made in the case files for any of the properties examined in testing.</p> <p>Where evidence of private rented property licences is not obtained and retained, there is a risk that the Council is unable to evidence due diligence and that placements are made with landlords without private rented property licences.</p>

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	LBC acts as landlord and manages the property	
Responsible Officer	Deadline	
1. Head of Service/Housing Initiatives team manager	Immediately	
2. All officers procuring, inspecting and signing up property		
3. Quality team manager		

## Control Area 4: Fit and Proper Landlords

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 5
2	<p>There is no current requirement to conduct 'fit and proper person' checks for private landlords who rent property to/via the Council, whilst a local decision could be made to adopt this as good practice, based on experience this is likely to delay procurement/supply of accommodation, and possibly could result loss of units (where other LAs/providers do not require this and can achieve let more quickly). Whilst it may be good practice to make 'fit &amp; proper person' checks/ rogue landlord system checks, no Pan London/National Rogue Landlord database exists to check against. However, for properties in borough, local checks should be made with Licensing/Private Sector Housing colleagues to check if L/L known prior to starting any agreement.</p> <p>1. Consider benefits -v- risks of adopting local 'best practice' approach and introducing 'fit and proper' person checks - establish</p>	<p>The Homelessness (Suitability of Accommodation) England Order 2012, provision 3 details that, <i>'For the purposes of a private rented sector offer under section 193(7F) of the Housing Act 1996, accommodation shall not be regarded as suitable where one or more of the following apply–</i></p> <p><i>(e)the local housing authority are of the view that the landlord is not a fit and proper person to act in the capacity of landlord, having considered if the person has:</i></p> <ul style="list-style-type: none"> <li><i>(i) committed any offence involving fraud or other dishonesty, or violence or illegal drugs, or any offence listed in Schedule 3 to the Sexual Offences Act 2003(2) (offences attracting notification requirements);</i></li> <li><i>(ii) practised unlawful discrimination on grounds of sex, race, age, disability, marriage or civil partnership, pregnancy or maternity, religion or belief, sexual orientation, gender identity or gender reassignment in, or in connection with, the carrying on of any business;</i></li> <li><i>(iii) contravened any provision of the law relating to housing (including landlord or tenant law); or</i></li> <li><i>(iv) acted otherwise than in accordance with any applicable code of practice for the management of a house in multiple occupation, approved under section 233 of the Housing Act 2004(3);'</i></li> </ul> <p>In this regard, the Secretary of State recommends that when councils procure housing in another local authority, they should inquire with that local authority as to whether the landlord has been problematic in the past; however, a Housing Initiatives Officer stated that this check is generally not undertaken. The Head of Temporary Accommodation explained that this is to avoid 'tipping off' another local authority about an opportunity to procure temporary accommodation in their own area.</p>

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	<p>what evidence would be required for this.</p> <p>2. Ensure all HMO properties procured have copy of relevant HMO licence on property records (HMO licence requirements should include 'fit and proper person' checks)</p>	<p>Whilst it is understandable that the Council does not wish to lose potential properties to other local authorities, there is a risk that this strategy prevents the Council from learning about potentially dangerous properties or rogue landlords.</p> <p>Discussion with the Housing Initiatives Officer and the Head of Temporary Accommodation also established that the Council does not have any direct controls against taking on landlords with past criminal convictions.</p> <p>Further discussion established that it was already practice in the Housing Initiatives schemes to exclude landlords who have previously caused issues, however, this was an informal practice relying on the memory of officers.</p>
Responsible Officer	Deadline	
1. Head of Service/Housing Initiatives team manager	August 2021	<p>Where the Council is unable to properly demonstrate that landlord checks in line with the requirements of provision 3 of the Homelessness (Suitability of Accommodation) England Order 2012 have been undertaken, the Council is in breach of the Order and there is a risk that clients are placed with unsuitable landlords.</p>

## Area 5 - Inspections and Enforcement

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 6
1	<p>The property inspectors must make a detailed HHSRS report on every property that is being procured for use by the Council. This inspection must be detailed and include the size of the rooms - details to include any remedial works that need to be completed by the landlord/owner before the property can be signed up for use and a final inspection should be undertaken confirming completion of all works. All inspection reports must be uploaded onto the property file on the share point site and a copy sent to the appropriate scheme officer.</p> <p>1. The current procedure is to be revised to make sure that it has very clear and concise instructions on the inspections reports content, storage and distribution.  2. Officers must adhere to the procedure and make sure that all remedial work is completed and re-inspected to make sure it is at the required standard before a property is signed up for use.  3. Periodic sample checks must</p>	<p>The Homelessness (Suitability of Accommodation) England Order 2012, provision 3 details that, <i>'For the purposes of a private rented sector offer under section 193(7F) of the Housing Act 1996, accommodation shall not be regarded as suitable where one or more of the following apply–</i></p> <p><i>(a)the local housing authority are of the view that the accommodation is not in a reasonable physical condition;</i></p> <p><i>(c)the local housing authority are of the view that the landlord has not taken reasonable fire safety precautions with the accommodation and any furnishings supplied with it;</i></p> <p><i>(d)the local housing authority are of the view that the landlord has not taken reasonable precautions to prevent the possibility of carbon monoxide poisoning in the accommodation.'</i></p> <p>In this regard all new properties are required to have a 'Decent Homes Inspection' conducted before being taken on.</p> <p>Examination of a sample of 'Decent Homes Inspection' reports confirmed that these included the required HHSRS, 'Reasonable state of repair', 'reasonably modern facilities and Services', 'reasonable degree of thermal comfort' checks. However, Decent Homes Inspection' reports were not available for eight of the sample of 15 property records checked, as follows:</p> <ul style="list-style-type: none"> <li>- One GRS property.</li> <li>- Two Croybond properties.</li> <li>- C) Five Croylease properties.</li> </ul> <p>Furthermore, for one of the properties where the 'Decent Homes Inspection' report highlighted that remedial action/s were required, there was a lack of evidence to demonstrate that this had been actioned.</p> <p>In addition for one GRS property, the landlord was asked to provide photographs of remedial work in lieu of a follow-up inspection as inspectors wished to limit in-person visits due to</p>



	<p>be made by the team manager for every scheme to make sure that the correct documentation is in place.</p> <p>4. Further sample checks to be made by the Quality team to reduce the risk of documentation not being stored correctly and the Council using accommodation that is not suitable as outlined under the Homelessness suitability of accommodation Order.</p> <p>5. Programme to be implemented to ensure where no inspection report can be located that re-visits are undertaken and appropriate HHSRS inspection is done and filed within 6 months.</p> <p>6. For Croylease 6 monthly inspection visits to be diariased at which updated HHSRS report to be undertaken (where not on file)</p>	<p>COVID-19. However, there is no note on the file to indicate that the inspector was satisfied with the remedial work carried out.</p> <p>Where the Council is unable to properly demonstrate that checks in line with the requirements of provision 3 of the Homelessness (Suitability of Accommodation) England Order 2012 have been undertaken, the Council is in breach of the Order and there is a risk that tenants are placed in substandard or unsafe accommodation.</p>
Responsible Officer	Deadline	
<p>1. Head of Service/Housing Initiatives team manager</p> <p>2. All officers procuring &amp; inspecting property</p>	<p>September 2021</p>	

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3. Quality team manager		
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## AUDIT TERMS OF REFERENCE

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### **1 INTRODUCTION**

- 1.1 Under the Housing Act 1996, the Council has a legal duty to provide temporary accommodation to certain groups who find themselves unintentionally homeless.
- 1.2 Wherever possible, Council-owned housing will be preferred. However, due to the long-standing shortage of council homes in the Borough, it is necessary for the Council to source temporary accommodation from private landlords in order to fulfil its housing obligations.
- 1.3 The Council must ensure that temporary accommodation procured from private landlords still meets the same minimum requirements as for Council-owned temporary housing, as set out in legislation and in the Council's own policies. The minimum standards set must consider that those in temporary accommodation are often particularly vulnerable, and take into account particular needs that individuals or families may have.
- 1.4 Due to the COVID-19 pandemic, on 27<sup>th</sup> March 2020, the Ministry for Housing and Local Government instructed local housing authorities in England to provide temporary accommodation for anyone who was rough sleeping or at risk of rough sleeping, which significantly increased the number of individuals whom the Council was required to house.
- 1.5 This audit is being undertaken as part of the agreed Internal Audit Plan for 2020/21.

### **2 OBJECTIVES AND METHOD**

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 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 following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	1	0
Identifying Suitable Accommodation	1	2	0
Health and Safety Requirements	0	0	0
Fit and Proper Landlords	0	1	0
Inspections and Enforcement	1	0	0
<b>Total</b>	<b>2</b>	<b>4</b>	<b>0</b>

### Definitions for Audit Opinions and Issues Identified

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 issues identified are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
<b>Priority 3 (Low)</b>	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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