

Final Internal Audit Report

Housing – Tenancy Arrears

June 2025

Distribution: Director of Housing Management
 Head of Income, Lettings and Leasehold
 Corporate Director of Housing
 Strategic Support Officer (Housing)
 Head of Finance (Housing)
 Corporate Director of Resources (Section 151 Officer) (Final only)
 Director of Finance (Deputy Section 151 Officer) (Final only)

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

Confidentiality and Disclosure Clause

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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 Croydon Council (“the Council”) manages around 15,000 residential properties, including around 13,400 HRA properties (commonly known as Council homes). As of September 2024, tenancy arrears at the Council were 8.5%, which is considerably higher than the 5.3% average across the sector, and above Croydon’s target of 4%.
- 1.2 Arrears cases are managed by a team of dedicated income officers who work across patches. To make best use of the income officers time, the Council use an arrears audit report that is produced every two weeks to identify arrears cases that require actions based on agreed parameters. The report provides officers with a risk-based breakdown of arrears cases and provides suggested actions based on the progress of the cases. These actions are reviewed by the officers and, if appropriate, taken and recorded within NEC (the Housing Management System). The arrears audit report is reviewed regularly with feedback taken from income officers to fine tune the programme.
- 1.3 At the time of audit, the Council had 20 dedicated income officers, each of whom received training on the Council’s approach to recouping arrears, including ‘Collecting with Care’ training in September 2024 and technical training in order to facilitate the efficient management of cases from NEC themselves.
- 1.4 The Council uses NEC to record arrears letters and notices that have been sent to tenants. This is to help ensure that an evidence trail of arrears actions taken by the Council is held should the arrears case require escalation to court.
- 1.5 To support tenants, income officers can refer tenants to a team of three Welfare Rights Advisors who can help ensure that tenants are receiving all of the support that they are entitled to. The Council also has a Universal Credit (UC) Coordinator who can apply for alternative payment arrangements for tenants on UC in arrears.
- 1.6 Arrears performance is reported to the Housing Directorate Management Team (DMT) and to the Mayor’s Office on a monthly basis.
- 1.7 The audit was undertaken as part of the agreed Internal Audit Plan for 2024/25. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 2.

2. Key Issues

Priority 1 Issues

An incomplete record of the arrears steps taken on NEC and/or the Northgate Open Housing Management System (OHMS) (the system used prior to NEC) meant that an end-to-end assessment of the arrears process for the sample of cases selected could not be completed. **(Issue 2)**

Management were not aware of the Council having a process to recoup former tenant arrears. **(Issue 5)**

Arrears actions were not recorded clearly within NEC and/or OHMS. **(Issue 6)**

Priority 2 Issues

The Income Recovery Policy and Income Recovery Procedure were in draft at the time of audit. **(Issue 1)**

Management could not provide evidence of the affordability assessments performed for a sample of new tenancies. **(Issue 3)**

Management could not demonstrate that tenants were contacted promptly after falling into arrears. **(Issue 4)**

The Priority 3 findings are included under item 4 below.

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>The Income Recovery Policy has now been signed off and is live.</p> <p>The Income Recovery Procedure is currently undergoing some minor amendments and will be submitted for legal review before 30 June 2025, with a view to going live in Q2 of 2025/26.</p> <p>Prior to go-live, Income Officers will receive training and a briefing. They will be required to sign off their receipt and understanding of this information.</p> <p>The new policy and procedures being used by the team have already led to a significant improvement in performance. The team collected 102.03% of rent for 2024/25, which places us well within the top quartile for councils.</p>	<p>Expected Control</p> <p>The Council has formal policy and procedural documents in place that underpin its approach towards effectively managing tenancy rent arrears. As a minimum, these documents outline the key roles and responsibilities for managing rent arrears, the processes in place for identifying and handling arrears, key systems and documents used within the arrears management process and how arrears recovery performance is to be monitored.</p> <p>Finding/Issue</p> <p>The Council had an Income Recovery Policy and Income Recovery Procedure; however, both documents were in draft at the time of audit. Evidence of an expected approval date was not provided.</p> <p>Risk</p> <p>Due to lack of comprehensive guidance documents, staff are not aware of the necessary operational approach towards resolving rent arrears; leading to inconsistent management of arrears, delayed rent recovery and the Council incurring financial loss.</p>
Responsible Officer		Deadline

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Head of Income, Lettings and Leasehold	30 June 2025	
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Control area 2: Arrears process including appropriate escalation of cases to legal stage

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2
1	<p>The following actions have been undertaken to mitigate this impact:</p> <ul style="list-style-type: none"> • Implementation of the Document Management function within NEC. The team have been trained on this, and reports are in place to monitor usage. This will allow officers to save all of their documents into the housing management system; • Implementation of an escalation policy built in to NEC is underway (in the interim a work around is in use.); and • Prioritisation reports are in place that prompt action when a tenant missed their payment. 	<p>Expected Control</p> <p>The Council utilises an effective approach towards managing rent arrears prior to and during the legal stage and maintains a comprehensive audit trail of key stages of the process and the necessary staff approvals.</p> <p>Finding/Issue</p> <p>Review of a sample of five arrears cases which had resulted in eviction, identified the following issues:</p> <ul style="list-style-type: none"> • Documentation relevant to the escalation to the legal stage of the process was not accessible to Income Officers and not provided as part of the internal audit evidence; • Income Officers were unable to explain why key stages appeared to be delayed based on the case notes held within NEC; • Evidence that was provided was incomplete, such as an extract from a letter or notes within NEC and so the timeliness of the actions taken could not be assessed; and • Actions taken following a tenant breaking of the terms of court orders were not timely and could not be evidenced in all cases. • A detailed breakdown of the cases is included in Appendix 1. <p>Risk</p> <p>Arrears cases are not escalated in line with prescribed timescales and documentary evidence maintained, resulting in difficulty evicting tenants that have significant arrears.</p>
Responsible Officer		Deadline
Head of Income, Lettings and Leasehold		31 March 2025

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Control area 2: Arrears process including appropriate escalation of cases to legal stage

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 3
2	<p>Allocations now include an affordability check as part of their process.</p> <p>This has been in place since November 2024.</p> <p>An agreement is in place for affordability information to be sent to lettings as part of the offer to be shared with the income collection at the tenancy start dates to allow for early intervention and support, where financial hardship is identified. The criteria for this we be agreed and included as part of the Lettings and income collection procedures (in draft).</p>	<p>Expected Control</p> <p>The Council has an appropriate framework in place to evaluate the financial health of prospective residents and completes affordability checks on new tenancies, prior to the tenancies being granted to ensure these are sustainable.</p> <p>Finding/Issue</p> <p>Evidence of the affordability assessments completed for a sample of five tenancies granted in the last 12 months was requested, but this was not provided.</p> <p>The Housing Register and Allocations Service Manager explained that affordability checks were performed prior to signing up new tenants; however, this was not documented within procedural or working guidance.</p> <p>Risk</p> <p>The Council grants unaffordable tenancies to high-risk customers, leading to an increase in the volume of arrears and increased levels of forgone rental income.</p>
Responsible Officer		Deadline
Housing Registration and Allocation Manager / Head of Income, Lettings and Leasehold		30 June 2025

Control area 2: Arrears process including appropriate escalation of cases to legal stage

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 4
2	<p>To help ensure prompt contact of tenants who fall into arrears, officers are provided with weekly audits that identify cases where no payment has been made. The action taken by officers on the accounts presented to them is monitored each week.</p> <p>In addition, income officers are provided with a list of new tenants to contact within three days of their start date to ensure tenants are supported from the beginning of their tenancy. Performance against this target is monitored monthly at a directorate level and performance has exceeded 90% since October 2024.</p>	<p>Expected Control</p> <p>There is an effective and consistent approach towards contacting and chasing tenants who fall into rent arrears.</p> <p>Finding/Issue</p> <p>The Council’s Rent Arrears Recovery Process flowchart outlines that when a tenant’s arrears equals one week’s rent the Income Officers should contact the customer via telephone and email to receive payment or make other arrangements. A record of this correspondence should be recorded appropriately within NEC. The Head of Income and Lettings advised that these timescales may not be adhered to in all cases and that the process should be read to mean that at least one week’s worth of arrears should have accrued before contact is made with the tenant.</p> <p>A review of the evidence recorded in NEC, for a sample of five current rent arrears cases, found that there was no record within NEC to show the point when contact was made with tenants who had breached one week’s worth of arrears, or broken their payment plan.</p> <p>As a result, testing was unable to be completed to assess whether initial contact had been made in a timely manner with the tenant.</p> <p>Risk</p> <p>Upon falling into arrears, the Council fails to contact residents within a timely manner, leading to additional arrears developing and impacting the effectiveness of the rent recovery process.</p>
Responsible Officer		Deadline
Head of Income, Lettings and Leasehold		28 February 2025

Control area 4: Processes for chasing former tenant arrears

Priority	Action Proposed by Management		Detailed Finding/Rationale – Issue 5
1	<p>An assessment to take place into the scope of works required to create an effective FTA collection service.</p> <p>This will include a review of options for collection, including resources and accounts suitable for write-off.</p> <p>Following the review, a process for collection will be agreed and begin.</p>		<p>Expected Control</p> <p>The Council has an effective and consistent approach towards managing and resolving former tenant arrears, which is appropriately documented within working guidance and is available to the relevant staff.</p> <p>Finding/Issue</p> <p>The Head of Income, Lettings and Leasehold explained that the Council did not have a process for chasing former tenant arrears and did not provide any further clarification when requested.</p> <p>Risk</p> <p>Due to the absence of a formal approach, the Council fails to effectively pursue and recover funds from former tenants, resulting in higher levels of forgone rental income and financial loss.</p>
	Responsible Officer	Deadline	
	Head of Income, Lettings and Leasehold	31 October 2025	

Control area 6: Record keeping and information management of arrears actions taken

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 6				
1	<p>The following actions have been undertaken to improve record keeping and information that will allow for better management of rent arrears cases:</p> <ul style="list-style-type: none">• Implementation of the document management system within NEC. The team have been trained on this, and reports are in place to monitor usage. This will allow officers to save all of their documents into the housing management system;• Implementation of an escalation policy built in to NEC is underway (Work around currently in use.); and• Prioritisation reports are in place that prompt action when a tenant missed their payment.	<p>Expected Control</p> <p>The Council has effective processes for record keeping and information management to facilitate the orderly management and escalation of rent arrears cases, with all documents stored centrally and accessible to staff.</p> <p>Finding/Issue</p> <p>The ‘Rent Arrears Recovery Process’ flowchart guides staff on the steps for managing rent arrears cases and sets out that arrears actions are recorded within NEC.</p> <p>Examination of the records for a sample of five arrears cases found that the Council did not maintain complete records and Internal Audit were unable to ascertain the promptness with which tenants were contacted at key milestones as set out within the Rent Arrears Recovery Process. Issues identified included:</p> <ul style="list-style-type: none">• In four cases (Sample 1, Sample 2, Sample 3, Sample 4), the date that the tenancy fell into arrears was not recorded within NEC and there was no other evidence was provided that recorded the date; and• In one case (Sample 2), the date of the first arrears letter was two months prior to the recorded date of the commencement of the tenancy. In two cases, the most recent arrears actions were from July 2024 (Sample 1) and September 2024 (Sample 2), and no information was provided to indicate what the latest tenancy action was. Instead, for both cases, the Operational Manager provided a suggestion of the next stage of the tenancy arrears action for serving a ‘Notice of Seeking Possession’ (NoSP) and court warning letter, respectively, however it is unclear whether this was a formally agreed action. <p>Risk</p>				
<table><tr><th>Responsible Officer</th><th>Deadline</th></tr><tr><td>Head of Income, Lettings and Leasehold</td><td>31 March 2025</td></tr></table>		Responsible Officer	Deadline	Head of Income, Lettings and Leasehold	31 March 2025	
Responsible Officer	Deadline					
Head of Income, Lettings and Leasehold	31 March 2025					

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		<p>Poor record keeping means that cases are not managed in line with the procedure, resulting in additional financial loss for the Council and unsuccessful eviction attempts at court hearings.</p> <p>The lack of record to refer to may also cause inefficiency, where staff need to take time to evaluate cases to establish actions taken/not taken or where duplicate actions are taken.</p>
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4. Priority 3 Issues

Agreed action	Findings
<p><u>Control area 2: Arrears process including appropriate escalation of cases to legal stage</u></p> <p><u>Action proposed by management:</u></p> <p>The process map has now been updated. When this information is built into the NEC system, we will ensure the correct lines of authorisation are in place.</p> <p><u>Responsible Officer:</u> Head of Income, Lettings and Leasehold</p> <p><u>Deadline:</u> 28 February 2025</p>	<p>Expected Control</p> <p>The Council has a clear and comprehensive approach towards evaluating and approving the eviction of residents in rent arrears, which is appropriately documented within working guidance, which is available to the relevant staff.</p> <p>Finding/Issue</p> <p>The Council has an ‘Escalation Process Map’ which outlines the key stages of the process to be followed when escalating rent arrears, the necessary approvals required prior to escalating to legal stage, and the documentation to be completed. Dependent on the verdict of the court hearing, a suspended possession order or outright possession order should be sent to the tenant. The ‘Escalation Process Map’ outlines that both routes require the approval of the Tenancy Director.</p> <p>An Income Officer explained that approval was typically obtained from the Head of Income and that the Process Map required updating to reflect the current approach. This was confirmed by the Head of Income and Lettings.</p> <p>Risk</p> <p>Due to outdated procedural guidance, the Council does not obtain the appropriate approval of eviction documentation and completes inappropriate evictions of residents; leading to further legal disputes and potential reputational damage.</p>
<p><u>Control area 3: Review of support/preventative measures undertaken</u></p>	<p>Expected Control</p>

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Agreed action	Findings
<p><u>to assist tenants Action proposed by management:</u></p> <p>Updates were provided in the Autumn and Winter resident newsletters and a campaign to contact vulnerable tenants was carried out in December.</p> <p>A further exercise will be conducted in the new financial year.</p> <p>For 24/25; we have used our full allocation of the Hardship Fund, Household Support Fund, and DHP. In total, we have supported over 1,000 tenants with our welfare advice service and support funds to a value of over £2m.</p> <p><u>Responsible Officer:</u> Head of Income, Lettings and Leasehold</p> <p><u>Deadline:</u> 31 December 2025</p>	<p>The Council provides up-to-date and regular information to its residents around arrears management and the support available for residents experiencing financial hardship.</p> <p>Finding/Issue</p> <p>The Council provided information via its website, which outlined how residents can contact an Income Officer for support.</p> <p>The Head of Income, Lettings and Leasehold explained that the Council included details of support available to residents within newsletters, such as the Hardship Fund and Household Support, however, evidence of such newsletters was not provided.</p> <p>Risk</p> <p>Residents are not aware of the mechanisms and resources available to support them during financial hardship, leading to an increase in the volume of rent arrears and the Council experiencing increased levels of forgone rental income.</p>

Arrears Sample detail

Issue 6 detail

Payment Reference	Detail
Sample 1	<ul style="list-style-type: none"> The date that the tenant fell into arrears or broke their payment plan could not be established. The date provided was the same as the date of the first phone call made to the tenant, which should take place one-week after the tenant had fallen into arrears. The most recent arrears action was from July 2024 and there was no information provided to indicate what the latest tenancy action was. The Operational Manager provided a suggestion of the next stage of the tenancy arrears action for serving a Notice of Seeking Possession (NoSP), however it is unclear whether this was a formally agreed action.
Sample 2	<ul style="list-style-type: none"> For this tenancy, the Council did not maintain complete records and Internal Audit were unable to ascertain the promptness with which tenants were contacted across key milestones as set out within the Rent Arrears Recovery Process. The date that the tenant fell into arrears or broke their payment plan could not be established. The date of the first arrears letter was two months prior to the recorded date of the commencement of the tenancy. The most recent arrears action was from September 2024 and there was no information provided to indicate what the latest tenancy action was. The Operational Manager stated that in their view a court warning letter should be produced, however it is unclear whether this was a formally agreed action.
Sample 3	<ul style="list-style-type: none"> Internal Audit was unable to ascertain the promptness with which the tenant/s were contacted due to incomplete records and an inability to determine the points at which tenants' arrears reached key milestones as set out within the Rent Arrears Recovery Process. The date that the tenant fell into arrears or broke their payment plan could not be established. The Operational Manager stated that action began in 2021-22, however evidence was not provided to show the date on which the tenant fell into arrears.
Sample 4	<ul style="list-style-type: none"> Internal Audit were unable to ascertain the promptness with which the tenant/s were contacted due to incomplete records and an inability to determine the points at which

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Payment Reference	Detail
	<p>tenants' arrears reached key milestones as set out within the Rent Arrears Recovery Process.</p> <ul style="list-style-type: none"> The date that the tenant fell into arrears or broke their payment plan could not be established as the Operational Manager stated that action had been ongoing since 2021, without providing further detail.

Issue 2 detail

Payment Reference	Detail
Sample 5	<ul style="list-style-type: none"> An Income Officer stated that the Council sought to apply for a court hearing 7 November 2023 but that the anti-fraud team began an investigation on the 15 November 2023, which culminated in a letter stating that no fraud had been found on the 7 March 2024. An application for a court hearing was subsequently made on 20 March 2024; however, management was not able to confirm whether the delay between November and March was a consequence of the fraud investigation or whether action could have been taken, nonetheless. The Council was unable to provide evidence of the Operational Manager uploading the referral to the legal portal. An Income Officer explained that this was because the Officer collating the evidence did not have access to the portal. There was no evidence of the legal team making an application on Possession Claim Online. Management stated that this was because the Income Officers did not have access to this and the Income Officer assisting with the audit did not request this evidence from the Legal Team. The 'Delegated Authority to Evict' (DA) form was signed 41 days after the court hearing. The Escalation Process stated that forms are required to be signed the following day.
Sample 6	<ul style="list-style-type: none"> An Income Officer advised of the date on which the pre-court checklist was completed, however there was no evidence of the checklist itself or authorisation from the Operational Manager. The Income Officer stated that the document (dated 30 August 2023) could not be accessed as the portal within which it was held would not allow the user to go back to this date.

Payment Reference	Detail
	<ul style="list-style-type: none"> • Evidence of the letter being sent to the tenant the day after the court hearing to advise of the outcome was not provided. • After a 'Suspended Possession Order' (SPO) was granted, the tenant was in 'Breathing Space,' which meant that when they breached the terms of their SPO, the Council could not issue a 'Breach' Letter. When the 'Breathing Space' expired on 3 July 2024 a letter was only sent seven calendar days later. • The DA form was signed one day after the seven working days permitted for the tenant to respond to the pre-eviction interview. In this case the DA form was signed by the Head of Income, however the Escalation Process stated that this should have been signed by the Tenancy Director. • No evidence was provided of a warrant application being made one day after the DA form was signed. There was a case note within NEC showing that an application had been made, however this was seven days after the DA form was signed but the application and warrant themselves could not be located.
Sample 7	<ul style="list-style-type: none"> • The Council was unable to provide evidence of the Operational Manager uploading the referral to the legal portal. An Income Officer stated that this was because the Officer collating the evidence did not have access to the portal. • There was no evidence of the Legal Team making an application on Possession Claim Online. Management stated that this was because the Income Officers did not have access to this and the Income Officer assisting with the audit did not request this evidence from the Legal Team. • No evidence of the letter advising the tenant of the court hearing date was provided. The Council's legacy system, OHMS, showed that a letter was sent, however the Income Officer advised that it could not be downloaded from OMHS and therefore a review of the letter was no possible. • No evidence of the SPO Breach Letter was provided. • OHMS detailed that the letter sent to invite the tenant to a pre-eviction interview had been sent, however no evidence of the letter itself was provided. • The DA form was signed on 22 August 2024, however the last action prior to this was on OHMS detailing that the pre-eviction interview letter had been sent on 19 September 2019. No reason for the delay could be

Payment Reference	Detail
	established, aside from the moratorium on evictions during the pandemic.
Sample 8	<ul style="list-style-type: none"> No record of a pre-court checklist or its approval by the Operational Manager. An extract was provided from an autoreply from the Legal Team which showed the information had been uploaded to the portal, however there was no date attached for Internal Audit to confirm whether this was in line with the timescales per the Procedure. There was no evidence of the Legal Team making an application on Possession Claim Online. Management stated that this was because the Income Officers did not have access to this and the Income Officer assisting with the audit did not request this evidence from the Legal Team. The content of the letter advising the tenant of their court hearing date was provided via email, however the extract provided was not dated and therefore the date on which it was sent could not be confirmed. The DA form was signed 29 days after the court hearing. The Escalation Process stated that forms are required to be signed the following day. There was no evidence of the tenant being sent an invitation to a pre-eviction interview one day after DA authorisation. There was no evidence of the warrant application being made the day after DA authorisation. The content of the letter sent to the tenant advising of the eviction date was provided, however this did not show the date on which the Council received the eviction date or the date that the letter was sent, therefore the timeliness of the letter could not be ascertained.
Sample 9	<ul style="list-style-type: none"> An Income Officer advised of the date on which the pre-court checklist was completed, however there was no evidence of the checklist itself or authorisation from the Operational Manager. The Income Officer stated that they did not know the whereabouts of the document and would contact the Income Officer responsible for the case. This was; however, not provided. The Council was unable to provide evidence of the Operational Manager uploading the referral to the legal portal. An Income Officer stated that this was because the Officer collating the evidence did not have access to the portal. There was no evidence of the Legal Team making an application on Possession Claim Online. Management

Payment Reference	Detail
	<p>stated that this was because the Income Officers did not have access to this and the Income Officer assisting with the audit did not request this evidence from the Legal Team.</p> <ul style="list-style-type: none"> • No evidence of the letter advising the tenant of the court hearing date was provided as an Income Officer was unable to locate evidence of the letter being sent within OHMS. • Evidence of the letter being sent to the tenant the day after the court hearing to advise of the outcome was not provided. • There was evidence of contact with the tenant and an SPO Breach Letter following the court hearing, however the Escalation Process stated that the contact and letter should both be within a week of the breach. The contacts were dated 31 May 2024 and 14 June 2024 and the letter 18 June 2024, meaning a delay of more than one week. • The DA form was signed on 17 July 2024, although there was no evidence of the invitation to a pre-eviction interview and so the timeliness of this stage of the process could not be measured. • No evidence was provided of a warrant application being made one day after the DA form was signed by the Tenancy Director. No evidence could be located to evidence the warrant application.

AUDIT TERMS OF REFERENCE

Housing – Tenancy Arrears

1. INTRODUCTION

- 1.1 Croydon Council manages around 15,000 residential properties, including around 13,400 HRA properties (commonly known as Council Homes). Tenancy arrears at the Council are currently running around 8% which is considerably higher than average across the sector. Until August 2023, the Council used an external contractor to handle calls from tenants and triage repair cases for action. On 1st August 2023, the Council transitioned to an in-house Contact Centre, which will now handle all repair enquiries going forward.
- 1.2 Arrears cases are managed by a team of dedicated income officers who work across patches. To make the best use of the income officers the Council use an arrears audit report that is produced every two weeks which identifies arrears cases that require actions based on agreed parameters. The report provides officers with a risk based breakdown of arrears cases and provides suggested actions based on the progress of the case. These actions are reviewed by the officers and if appropriate taken and recorded within NEC. The arrears audit report is reviewed regularly with feedback taken from income officers to fine tune the programme. This audit is being undertaken as part of the agreed Internal Audit Plan for 2024/25.
- 1.3 Arrears letters and notices should be stored on the Council's SharePoint to ensure that an evidence trail of arrears actions taken by the Council is held should the arrears case require escalation to Court.
- 1.4 To support tenants, income officers can refer tenants to a team of three welfare rights advisors who can ensure that tenants are receiving all of the support that they are entitled to. The Council also has a universal credit (UC) coordinator who can apply for alternative payment arrangements for tenants on UC in arrears.
- 1.5 Arrears performance is reported to the Housing DMT and to the Mayor's Office on a monthly basis.
- 1.6 This audit is being undertaken as part of the agreed Internal Audit Plan for 2024/25.

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 management of tenancy arrears, was undertaken as part of the 2024/25 Internal Audit Plan. The specific scope included the following areas and recommendations:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	1	0
Arrears process including appropriate escalation of cases to legal stage	1	2	1
Support/preventative measures undertaken to assist tenants (including ensuring they are receiving all support they are entitled to)	0	0	1
Processes for chasing former tenant arrears	1	0	0
Training for income officers	0	0	0
Record keeping and information management of arrears actions taken	1	0	0
Management reporting	0	0	0
Total	3	3	2

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.

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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