

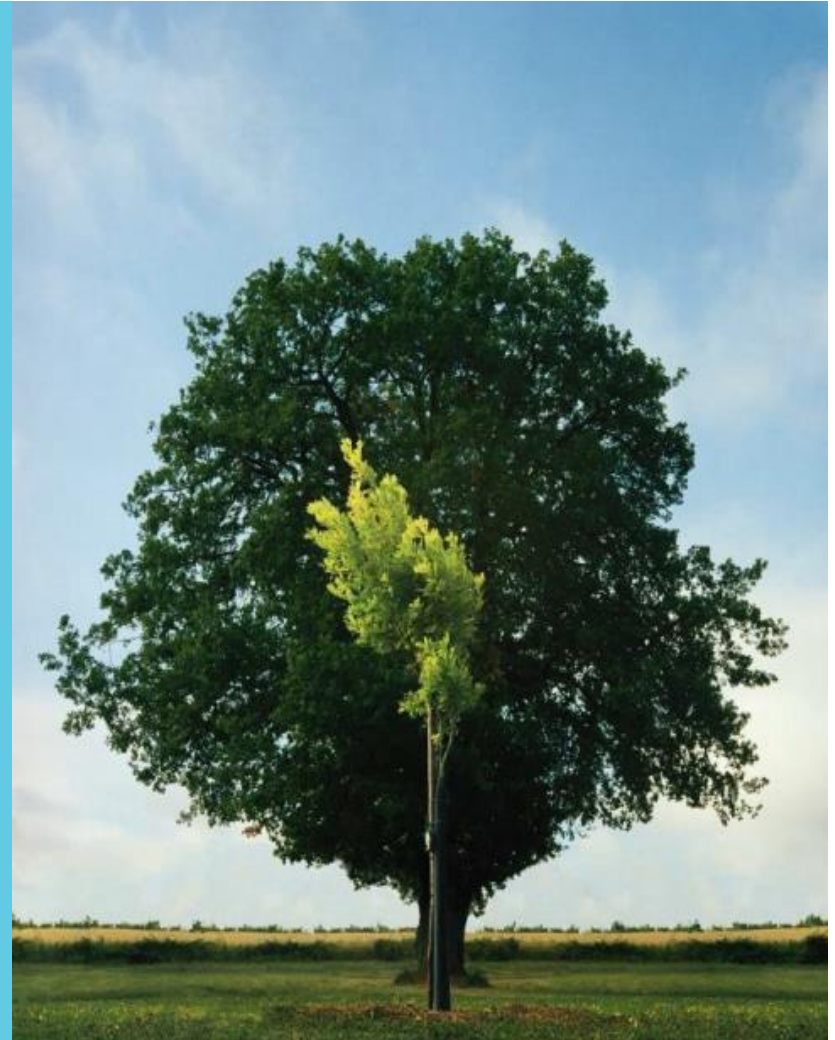
# Brentwood Borough Council

## INTERNAL AUDIT REPORT

Audit 11. Housing

May 2017

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Limited	Limited



**Draft**



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## REPORT STATUS

Auditors:	Angela Mitchell
Dates work performed:	March 2017 to May 2017
Closing Meeting:	6 June 2017
Draft report issued:	8 June 2017

## Final report issued:

## DISTRIBUTION LIST

John Chance	Finance Director (S151 Officer)
Angela Williams	Head of Housing
Stuart Morris	Interim Housing Manager

### Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

# EXECUTIVE SUMMARY



## BRENTWOOD BOROUGH COUNCIL VISION

Work to ensure our Housing stock is managed so that it delivers comfortable and safe homes for our tenants that are efficient and sustainable

## LEVEL OF ASSURANCE (SEE APPENDIX II FOR DEFINITIONS)

Design	Limited	System of internal controls is weakened with system objectives at risk of not being achieved
Effectiveness	Limited	Non-compliance with key procedures and controls places the system objectives at risk

## SUMMARY OF RECOMMENDATIONS (SEE APPENDIX II FOR DEFINITIONS)

High		3
Medium		7
Low		2

Total number of recommendations: 12

## OVERVIEW

### Background:

Council Housing stock, as at the 31 March 2016, was: 1,159 flats, 1,320 houses and bungalows, and 7 equity share properties, and the Council has recognised an increasing demand for social housing. In 2015/16 the Council spent £5.3m on Housing of which £2.9m was expenditure on repairs and maintenance.

Our review considered the adequacy of arrangements relating to Housing stock (due diligence checks and fraud prevention, debt recovery and compliance checks), Right to Buy (governance, checks on qualifying criteria, valuations and tenant advice) Housing maintenance contractual arrangements and Leaseholder Service Charge accounts (apportionment and billing).

### From our review, we noted the following areas of good practice:

- Pre-tenancy, home seeker and transfer applicant checklists are used to ensure required due diligence checks are made on applicants, and photographs of applicants are obtained as part of the application process and retained with the tenant files
- There is a fraud referral process, with online forms being directed to the Council's Fraud Officer
- The Housing Team maintain oversight of current tenant arrears, and have made adjustments expected to improve recovery.

### However, we also noted the following areas of improvement:

- Fraud risk awareness varied amongst staff. Staff did not make best use of the information available to them to detect potential fraud and the copying of documents provided by tenants was not made with consideration of fraud risks (Finding 1 - High)
- Although Compliance checks were undertaken by the contractor providing remedial works, the Council has not had access to Compliance certificates for the majority of its housing stock. There were no protocols for ensuring the contractor ceased to provide checks on sold properties, or that these checks were recharged for leaseholder properties, and some compliance checks were reported to have not been carried out at all, or performed less frequently than required (Finding 2 - High)
- Contract management has not been effective through the life of the Housing Contracts, and contractors have not complied with key requirements (Finding 3 - High)
- Tenancy checks and audits are not regularly undertaken on all tenants (Finding 4 - Medium)
- Former tenant arrears are not subject to current recovery action, and management information for arrears and aged debts could be improved (Finding 5 - Medium)

# EXECUTIVE SUMMARY (Continued)

## OVERVIEW

Continued:

### (Areas of improvement):

- There were inconsistencies in records of Right to Buy applications (between a spreadsheet record and the Housing Management system) ( Finding 6 - Medium)
- Evidence of appropriate checks on Right to Buy applications did not exist for all applications (Finding 7 - Medium)
- Valuations for Right to Buy sales do not include identity checks on tenants (Finding 8 - Medium)
- Tenancy agreements could not be located for some tenancies, there were discrepancies in the upload of information on charging for leaseholder properties and records did not enable reconciliation of total service charges and allocation of those charges (Finding 9 - Medium)
- Records are not maintained of details of surveys and inspections carried out to review contractor inspection reports and work requirements, or of tests conducted by Council staff and there is no system for ensuring queries are resolved (Finding 10 - Medium)

### Conclusion

We have issued 3 High, and 8 Medium priority findings, and have issued an opinion of Limited for both the design and the effectiveness of the Housing systems, reflecting that whilst there are some areas of good practice, there were also areas of weakness and opportunities for improvement to be developed, such as fraud prevention and detection (in various areas), contract management, arrears recovery, leasehold charges and records of inspections and surveys.

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK: Front line staff are not trained to identify fake or forged documents, or fraud warning signs, or they do not refer potential fraud for investigation**

Ref.	Finding	Sig.	Recommendation
1.	<p>We consulted front line staff to identify fraud awareness and detection procedures and reviewed the related processes. We identified the following:</p> <ul style="list-style-type: none"> <li>Not all Housing Officers had received fraud awareness training and whilst officers were aware of some Housing fraud risks and indicators, this understanding was not consistent across all potential Housing frauds</li> <li>Whilst some in tenancy checks are made on tenants, there are no consistent arrangements for in tenancy checks on secure tenants, the only opportunity is at the annual gas service (see also page 6)</li> <li>Whilst tenant photographs are held on files, the requirements of the contractors appointed to undertake annual checks (gas and servicing) do not include fraud tenancy checks and the occupants are not subject to verification against photographs. Some responsive in-tenancy checks are made, although staff do not consistently check against photographs and photographs are not held for all tenants</li> <li>Whilst staff are aware of the need to report fraud to the Fraud Officer, Housing staff advised the Fraud Officer instructed Housing staff to make initial investigations. Staff advised they undertake some investigations themselves and have occasionally sought to observe properties and tenants as part of their investigations. The Council's Fraud officer is trained in investigation protocols which maximise the likelihood of successful outcomes through proper treatment of suspects and retention of evidence</li> <li>Housing staff advise that identity documents provided by tenants or applicants are copied by Reception desk staff. The Reception staff advised that they copy documents but do not verify them, and that tenants regularly bring in photocopies of their documents which are accepted without question.</li> </ul> <p>There is a high risk of tenancy fraud. Guidance has been published on measures to detect and prevent such fraud. A summary of the key risks and measures, learning from others and fraud identification is included in Appendices I, II and III.</p>	High	<ul style="list-style-type: none"> <li>a) Training is provided to relevant staff on Housing Fraud risk identification</li> <li>b) Protocols for in-tenancy audit checks on tenants are determined, to include secure tenants</li> <li>c) Photographs are obtained to identify all tenants</li> <li>d) Consideration is given to using photographs held for periodic verification of all tenants. This may require consideration of the scope of contracts and data sharing protocols (see also page 19 regarding Fair Processing Notices)</li> <li>e) The Housing Team and Fraud officer agree protocols for investigation which ensure potential fraud investigations are overseen by a suitably trained person</li> <li>f) Housing staff are reminded of the requirements of the Regulation of Investigatory Powers Act in relation to surveillance and investigation activity</li> <li>g) Protocols for checking and copying identity documents are established.</li> </ul>

<b>MANAGEMENT RESPONSE</b>	<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
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See next page	<i>Responsible Officers: Nicola Marsh, Stuart Morris Implementation Date: December 2017</i>
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# Management Response

- (a) Mandatory Fraud Identification risk training on the 26<sup>th</sup> September has been arranged for all Housing Staff and will be circulated to other front-line officers, such as the Contact Centre staff and the Council's Fraud Officer.
- (b) A Housing Audit working group has been created to consider options to implement to a tenancy audit protocol
- (c) Currently, photographs are obtained of all applicants that apply for the Housing and transfer registers & tenants, tenants that apply for mutual exchanges and apply for any other type of amendment to their existing tenancy. The Housing Audit working group will consider options to widen this to include within any regular tenancy audit.
- (d) As B & C
- (e) Mandatory Preventing and Detecting Housing Fraud training on the 19<sup>th</sup> September has been arranged for all Housing Staff and will be circulated to other front-line Officers, such as the Contact Centre staff and the Council's Fraud Officer.
- (f) Staff that are required to undertake investigations as part of their duties have been advised of activities that fall within RIPA and that the Council's Fraud Officer would only have the powers to undertake them. Staff are advised to request management authorisation in advance and refer to the Council's Fraud Officer. This includes the use of electronic data sources.
- (g) The implementation of a protocol around the checking of documentation will be agreed by the Housing Audit working group following both planned training session.

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Health and safety checks, such as gas compliance, electrical safety and fire safety, are not carried out as required, or evidence of checks is not maintained

Ref.	Finding	Sig.	Recommendation
2.	<p>There are no written procedures identifying protocols for compliance checks.</p> <p>Compliance checks are undertaken by an appointed contractor. We noted the following relating to the arrangements for Compliance checks:</p> <ul style="list-style-type: none"> <li>Gas and electrical checks are made by the same contractor appointed to carry out the gas and electrical remedial works. Although this arrangement facilitates prompt quoting for remedial works by the contractor, it also leads to a risk that remedial work requirements are exaggerated</li> <li>The contract requires suppliers to maintain portal interfaces with the Council which enable the Council to access information and certificates. However these links have not been provided and consequently the Council does not hold the majority of certificates for either gas or electrical checks on properties. (The Compliance Manager does review records of dates of checks as notified by the contractors, and advised he has been provided with just 88 certificates relating to 2578 properties)</li> <li>The Compliance Manager maintains records of Compliance checks on a spreadsheet rather than on the Housing management system. We understand that the Housing Management system does have the facility to hold such records (although the Compliance Manager advised he has not received training on this)</li> <li>The Compliance Manager maintains a spreadsheet record of pending and overdue Compliance checks. He considered that future contracts should require the contractor to notify the Council of any pending or overdue Compliance checks</li> <li>Our sample check identified that for 2 out of 3 properties sold via the Right to Buy process, the contractor had continued to perform Compliance checks. We understand there is no systematic process for notifying the contractor of sold properties to be removed from the checklist, or ensuring that leaseholders are recharged for checks made</li> </ul> <p>Continued:</p>	High	<ul style="list-style-type: none"> <li>a) Written procedures are prepared to define protocols and procedures for Compliance checks</li> <li>b) Contractual arrangements for provision of gas and electrical checks are reviewed to establish independence between provision of checks and remedial works</li> <li>c) In the absence of direct access to contractor systems by the Council, Contractors are required to provide copies of all current gas and electrical safety certificates</li> <li>d) Effective contract management is undertaken to ensure the contractors provide interfaces enabling Council access to systems and certificates as required by the contract (see also page 8)</li> <li>e) The housing management system is used for recording information relating to Compliance checks</li> <li>f) Training is provided as required to ensure officers are able to maximise use of the Housing management system</li> <li>g) Consideration is given to the inclusion of requirements for contractor provision of exception reporting on pending and overdue Compliance checks in future contracts</li> <li>h) The Council determines arrangements for notifying the contractor of any sold properties for which Compliance checks are no longer the Council's responsibility and for charging leaseholders where the Council retains any residual responsibility for these checks</li> </ul>

# Management Response

We had already identified that there likely were a number of long-standing service issues within the repairs service, which included a lack of contract management, written policies/procedures which had only recently come to light following staffing changes within the repairs service.

We have been proactively addressing these issues in advance of this Audit report. We are in the process of agreeing a managed service provision with Basildon Borough Council.

In addition, Basildon have provided us with a Project Manager on a secondment basis to review the areas of deficiency within the Service and provide recommendations for improvement together with responsibility for the overall for all operational management on a day to day basis.

Changes have been made to the repairs team, which has resulted in the replacement of the compliance manager with a Contracts Administrator, who has a significant experience of working in Local Authorities and managing Contractors.

We have also begun the re-procurement process for the existing Wates/Oakray contract which are due to expire in 2019.

**Responsible Officers: Robert Burton, Nicola Marsh**

**Implementation date: April 2018**



# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK:** Health and safety checks, such as gas compliance, electrical safety and fire safety, are not carried out as required, or evidence of checks is not maintained

Ref.	Finding	Sig.	Recommendation
2. Cont.	<p>(Continued)</p> <ul style="list-style-type: none"> <li>The Compliance Manager advised that fire safety checks should be completed on blocks every year, although his spreadsheet identifies that checks are only required every 2-3 years for some blocks. We understand that the frequency of checks should be determined through a risk assessment of the blocks</li> <li>Asbestos registers should be retained for each property. We tested a sample of 10 properties for evidence of asbestos checks and for these there were no checks recorded for 8 properties and only a partial check for 1 property (Therefore only 1 of the 10 properties tested had evidence of a full asbestos check)</li> <li>The Compliance Manager advised that water risk assessments should be made for every communal tank and block. He stated he was satisfied that checks were made for sheltered accommodation and believed that records were retained in the sheltered schemes. However the Council should clarify the extent of such checks and the storage of records and the requirements for all housing types.</li> </ul> <p>If compliance risks are not adequately managed there is a risk that a breach will occur and that the Council will be financially liable for this.</p>	High	<ul style="list-style-type: none"> <li>i) Risk assessments are carried out and recorded to ensure fire safety checks on blocks are scheduled at appropriate intervals</li> <li>j) Asbestos checks are carried out on all properties and records retained of the checks</li> <li>k) The Council ensures that water risk assessments are carried out as required and that records are maintained of these checks for all housing types.</li> </ul>
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
<p>(i) Risk assessments have been carried out on all high rise accommodation which is being rolled out to include all flatted accommodation. We are in the process of agreeing a rolling programme for risk assessments. (j) Currently, asbestos surveys are carried out on void properties only, we are currently reviewing our existing processes to ensure that we can create an asbestos register by implementing the Asset management system (keystone). (k) Water risk assessments are currently carried out on sheltered housing as part of the main Oakray Contract. We are reviewing our existing processes to enable this to be held centrally via the Asset Management System</p>			<p><b>Responsible Officers:</b> Nicola Marsh, Rob Burton</p> <p><b>Implementation Date:</b> April 2018</p>

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK:** The Housing Stock Condition Survey specification does not adequately define the scope of works and arrangements for identifying and reporting stock condition, housing maintenance contracts do not adequately define the scope of works and arrangements for agreement of planned and reactive maintenance work to be carried out

Ref.	Finding	Sig.	Recommendation
3.	<p>The Council’s arrangements to manage the Housing Contracts has changed since the commencement of the contracts that we reviewed. The current contract manager arrived after the commencement of the contracts and the handover information about contract management activity provided to him was limited.</p> <p>Our review of the Stock Condition Survey specification confirmed the scope and arrangements were defined, however contract management has not been robust, and whilst performance requirements were defined, there were no penalty clauses for non-compliance. We understand previous Council employees held meetings with the contractor but these were not minuted (later meetings have been so), and that where changes have occurred to contract provision (such as delayed performance), these have not been formally resolved or approved via Variation Orders.</p> <p>The contractor delayed performance of the checks required and provision of evidence of the checks, and at the time of our review had not provided photographs to evidence the checks made in accordance with contractual requirements. The photographic evidence was a significant part of the requirements and their absence or late supply reduced the opportunity for the Council to verify the stock position and would require resources by the Council to reference them to properties. In addition, the contractor was required to perform quality checks of 5% of fieldwork data, but no evidence of these checks was provided.</p> <p>The contractor was required to provide photographic evidence of (amongst other things) any deviation in the information provided by the Council. However the Council provided the contractor with ‘cleansed data’ which removed the ability for the Council to enforce this requirement. We were advised that due to the way the data was provided to the contractor the Commercial Manager would now need to look for differences between the original Council data and the Contractor provided data.</p> <p>Continued:</p>	High	<p>a) Methods used to ensure contractor compliance with contract performance requirements, including completion and submission of information, should be strengthened. Such arrangements should also include penalty clauses for non-compliance</p> <p>b) Effective, robust contract management arrangements are determined for Housing contracts, to include:</p> <ul style="list-style-type: none"> <li>• Retention of documentation of contract management activity</li> <li>• Contractor performance and provision of performance information in accordance with the contract, including records of agreed action to resolve performance issues</li> <li>• Contractor provision of IT interfaces and other contractual requirements in accordance with the contract</li> <li>• Where changes in contract provision are agreed by the Council, these are formally approved via the issue of Variation Orders</li> <li>• Submission to the housing team of evidence of checks where they are required to be made by the contractor</li> </ul> <p>Continued:</p>

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK:** The Housing Stock Condition Survey specification does not adequately define the scope of works and arrangements for identifying and reporting stock condition, housing maintenance contracts do not adequately define the scope of works and arrangements for agreement of planned and reactive maintenance work to be carried out

Ref.	Finding	Sig.	Recommendation
3. Cont.	<p>Continued:</p> <p>We understand that payments have been based on the number of surveys undertaken by the contractor, however the required photographs were not supplied with the surveys (see above), and therefore payments may not have been a true reflection of the value of work carried out.</p> <p>The contractor has not been requested to provide statements of compliance with key contract requirements. The current contract manager considers that whilst existence of the term in the contract provides adequate potential for enforcing the requirements, this should have been dealt with at the pre-contract meeting and that there is little benefit to be gained from pursuing these now. We consider that where the contract requires the contractor to do something, then this should still be pursued by the Council.</p> <p>In addition, Housing staff have identified concerns regarding the Housing contracts, including:</p> <ul style="list-style-type: none"> <li>Contractors have not provided the information required by contracts and have not developed fully functioning interfaces to link the contractor and Council systems as required by the contracts. This restricts Council access to information on works, documents and certificates and results in the need for duplication of input by the Council. Whilst the interface is a contractual requirement, contract performance or default measures do not reflect on this element of the service provision and contract management has been inconsistent during the life of the contract</li> <li>One contract makes provision for basket rates to be used for works, with any additional work to be charged according to schedule. We understand the contractor generally prices works according to schedule (which results in higher overall charges)</li> </ul>	High	<p>b) Continued:</p> <ul style="list-style-type: none"> <li>Requirements for the contractor to provide evidence of compliance with key contract requirements</li> <li>Contract pricing protocols applied</li> </ul> <p>c) Payments to contractors should reflect the extent of provision of service against the agreed contract terms</p> <p>d) Benchmarking of rates and uplifts is undertaken and where appropriate consideration is given to contract options (including negotiation or termination).</p>

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK:** The Housing Stock Condition Survey specification does not adequately define the scope of works and arrangements for identifying and reporting stock condition, housing maintenance contracts do not adequately define the scope of works and arrangements for agreement of planned and reactive maintenance work to be carried out

Ref.	Finding	Sig.	Recommendation
3. Cont.	<p>Continued:</p> <ul style="list-style-type: none"> <li>The rates provided by contracts are complex and include significant price uplifts and a high annual price uplift.</li> </ul> <p>If contracts are not managed adequately there is a risk of financial loss and inadequate service provision.</p> <p>(See also pages 18 relating to Electrical surveys).</p>	High	
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
See next page			<p><i>Responsible Officers: Rob Burton, Nicola Marsh</i></p> <p><i>Implementation Date: Ongoing - April 18</i></p>

# Management Response

We had already identified that there likely were a number of long-standing service issues within the repairs service, which included a lack of contract management, written policies/procedures which had only recently come to light following staffing changes within the repairs service.

We have been proactively addressing these issues in advance of this Audit report. We are in the process of agreeing a managed service provision with Basildon Borough Council.

In addition, Basildon have provided us with a Project Manager on a secondment basis to review the areas of deficiency within the Service and provide recommendations for immediate improvement together with responsibility for the overall for all operational management on a day to day basis.

Changes have been made to the repairs team, which has resulted in the replacement of the compliance manager with a Contracts Administrator, who has a significant experience of working in Local Authorities and managing Contractors.

We have also begun the re-procurement process for the existing Wates/Oakray contract which are due to expire in 2019, which will address all of the recommendations.

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK:** Due diligence checks are not made on tenants prior to the commencement of the tenancy, and Due diligence checks are not undertaken periodically during the tenancy, including tenancy audits

Ref.	Finding	Sig.	Recommendation
4.	<p>The Housing Team have prepared checklists to ensure due diligence checks are made prior to commencement of tenancies. Staff record outcomes of checks made and identify the support needed by the tenant to enable them to maintain their tenancies. New tenants are visited at 6 weeks, 6 months and 9 months into their tenancy.</p> <p>For existing tenants, opportunities for in-tenancy checks arise when Housing staff respond to service requests, complaints, arrears recovery and at the annual gas servicing. There are no tenancy audits or checks regularly undertaken on all tenants.</p> <p>In addition, whilst the Council does hold photographs of tenants, these are not available to the Contractor undertaking the annual gas servicing and tenancy checks are not required by the contract, therefore there is a missed opportunity to ensure only approved tenants are resident in Council social housing.</p> <p>(See also page 4)</p>	Med	<p>a) Pre-tenancy and in-tenancy check policies are established which include protocols to address tenancy fraud risks (covering application, subletting, succession, key selling, right to buy and right to acquire fraud), and which ensure compliance with Data Protection Act requirements</p> <p>b) Policies are communicated to staff, tenants and any delivery partners.</p>
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
<p>(a) Pre-tenancy checks are already in place and has recently been revised to include additional I.D checks. These new protocols have also been incorporated into other tenancy areas. (b) Existing policies &amp; procedures have been re-drafted and circulated to all staff</p>			<p><i>Responsible Officers: Angela Abbott, Nicola Marsh</i></p> <p><i>Implementation Date: July 2017</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK: debt collection and recovery procedures are inadequate to ensure that delays in receipt of rent payments and loss of income is minimised**

Ref.	Finding	Sig.	Recommendation
5.	<p>The Housing Management system enables progression of recovery of current tenant arrears through recommended actions, in accordance with predetermined criteria and procedures, using pro-forma letters to tenants to prompt payment. Regular monitoring of current tenant arrears is undertaken. The Housing team consider current tenant arrears to be at a reasonable level (at 2.21% of rent due at 27 March 2017).</p> <p>Current tenant arrears are analysed geographically by patch and areas within patches, and also by debt type (for example current tenant arrears, temporary accommodation, etc) and KPI data is maintained including for rent collected and rent arrears. The arrears records do not provide a breakdown of the age of debts, or the cases at different key stages of recovery.</p> <p>The recovery of former tenant arrears has not been subject to recent efforts to recover outstanding debts. A former arrangement with a debt collection agency did not result in any significant reduction in former tenant arrears and there is not currently any cross check to Council Taxpayer records which may provide information to support recovery. The Housing Team advised current resources are not sufficient to enable recovery from former tenants, and provided the following arrears summary for former tenant arrears:</p> <p><u>Former Tenant Arrears:</u></p> <ul style="list-style-type: none"> <li>• Main Account (245 accounts) £143,720.58</li> <li>• Court costs (63 accounts) £ 19,344.24</li> <li>• Bankruptcy (10 accounts) £ 15,756.47</li> <li>• Non Secure Former Tenants (172 accounts) £ 65,464.71</li> <li>• Garage arrears (129 accounts) £ 9,999.80</li> </ul> <p>(The age of these arrears is not identified in current reports).</p> <p>We understand that delays in the processing of benefit claims and changes in circumstances have impacted on recovery of tenant arrears</p>	Med	<p>a) Arrears reporting is developed to include the age of debts, the cases at each key stage of recovery and additional management information is provided accordingly</p> <p>b) Management determine recovery protocols (to recover or write off former tenant arrears). This decision should be supported by additional management information on age of debts and action already taken and consideration could also be given to checks against Council tax records or credit checks to enable tracing of former tenants.</p> <p>c) The impact of delays in processing benefit claims and changes in circumstances is identified and where appropriate raised with the service provider</p>
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
(a) (b) We are currently recruiting for a full time debt recovery officer who will have responsibility for developing and implementing processes around former tenant debts.			<p><i>Responsible Officers: Nicola Marsh</i></p> <p><i>Implementation Date: October 2017</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Governance arrangements, including authorisation routes and clarity of procedures and processes for dealing with Right to Buy applications, are inadequate

Ref.	Finding	Sig.	Recommendation
6.	<p>Right to Buy records are held on the Housing Management system and also on a spreadsheet, however the information recorded on the spreadsheet is unreliable, as our review of the spreadsheet identified:</p> <ul style="list-style-type: none"> <li>gaps in the sequences of Right to Buy application references</li> <li>differences between references recorded on the spreadsheet and the Housing Management System</li> <li>that information on the spreadsheet was incomplete and not up to date.</li> </ul> <p>We understand that some of the spreadsheet information is duplicated on the Housing Management system, but that the Housing Management system is capable of recording all required information. The spreadsheet is maintained to enable Housing staff to view the status of applications. Having the access to information on status of Right to Buy applications would be better provided through the Housing Management system. If this requires a review and update of access permissions, this should be done to enable the right staff to have the access they need, rather than by maintaining duplicate and inconsistent information.</p>	Med	<p>a) Right to Buy Information is input to and managed via the Housing Management system, removing the need for duplication of input to a spreadsheet</p> <p>b) Access permissions to the Housing Management system are reviewed to enable appropriate staff to identify the status of applications.</p>
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
(a) (b) Existing RTB procedures are currently being reviewed in accordance with the audit report.			<p><i>Responsible Officers: Nicola Marsh</i></p> <p><i>Implementation October 2017</i></p>



# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Tenancy audits, including checks on identity, residency and tenancy history / qualifying period, are not carried out on applicants to ensure the applicant qualifies for Right to Buy

Ref.	Finding	Sig.	Recommendation
7.	The Officer dealing with Right to Buy applications advised that for applications he receives he initiates checks via the National Anti-Fraud Network (NAFN) and also checks the application against Benefits, Council Tax and Electoral Register records. However the inconsistencies on the spreadsheet records (see page 13) and the inability to locate evidence of some checks suggest that checks may not have been consistently undertaken for previous Right to Buy Applications.	Med	<p>Consideration is given to performing checks on previous Right to Buy applications to verify the applicant's entitlement to the Right to Buy discount.</p> <p>(Any queries arising from these checks should be referred to the Council's Fraud Officer).</p>
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
Checks in process as recommended. All RTB applications are referred to the Council's Fraud Officer when submitted in order to assist in the prevention of fraudulent applications.			<p><i>Responsible Officers: Angela Abbott, Nicola Marsh</i></p> <p><i>Implementation Date: October 2017</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Property valuations are not carried out by qualified property surveyors, who have an understanding of tenancy fraud risks, prior to the Right to Buy being agreed

Ref.	Finding	Sig.	Recommendation
8.	<p>The Council appoints a firm of qualified surveyors to value properties and provide full reports of their valuations prior to a Right To Buy sale being agreed. Prior to this, a contracted Surveyor visits properties to record improvements made by the tenant (which are considered as part of the valuation process).</p> <p>The contracted surveyor does receive tenant photographs with the application, and advised he is aware of safeguarding protocols, but he is less familiar with fraud risks, and the appointed firm of surveyors have no contracted responsibility for identifying and reporting potential fraud.</p>	Med	Update the contract with the contracted surveyor visiting the property to record improvements made by the tenant, so that they undertake initial identity checks as part of this visit and report back their findings to the housing team.
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
In progress, currently in the process of appointing external surveyors to carry out RTB property surveys.			<p><i>Responsible Officers: Nicola Marsh</i></p> <p><i>Implementation Date: September 2017</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Tenants are not billed for leaseholder service charges in accordance with approved protocols

Ref.	Finding	Sig.	Recommendation
9.	<p>Service charges are apportioned across all leasehold properties. For those that have been sold the leaseholder is invoiced and, for those retained by the Council as housing stock, the service charges are taken into account as part of the rent charged to tenants.</p> <p>For a sample of 12 leaseholder agreements, we compared the agreement to a spreadsheet of estimated service charge calculations (maintained by the Leasehold Management Officer) and to the billing details on the Housing Management system.</p> <p>The leaseholder agreements could not be located for 5 of the sample of 12.</p> <p>Whilst in the majority of cases sampled the amount billed to the leaseholder (as identified in the Housing Management system) agreed with the amount determined in the spreadsheet, we did note there were discrepancies in the upload to the Housing Management system where property records referred to more than one block and/or were duplicated in the spreadsheet (in these cases the leaseholders were charged double for estimated repairs). We also reviewed the 2016/17 billed estimated charges for these properties and confirmed the double charging also occurred for 2016/17. Note that at the year end the actual charges are determined and leaseholders either charged or reimbursed accordingly, therefore the initial error in 2016/17 was rectified at the year end.</p> <p>We understand that following the upload to the Housing Management system, adjustments are made on the Housing Management system to reflect special arrangements for the apportionment, therefore the spreadsheet totals will always differ to the Housing Management system totals.</p> <p>We note that the spreadsheet maintained to determine leasehold service charges identifies only those blocks with leasehold properties and does not identify the number of leasehold properties within each of the blocks. As such it does not enable calculation of the total expected income from leaseholders (and therefore cannot be reconciled back to the value of invoices raised for leasehold service charges) reducing its value as a control.</p> <p>Continued:</p>	Med	<ul style="list-style-type: none"> <li>a) Leaseholder agreement storage is reviewed to ensure records including leaseholder agreements are retained for all properties</li> <li>b) Errors in data upload of estimated service charges to the Housing Management system are corrected and tenants reimbursed where overpayments have occurred</li> <li>c) Where adjustments are made to leaseholder service charges, these are identified clearly in all records to ensure transparency and enable reconciliation (see (d) below)</li> <li>d) The spreadsheet maintained to determine apportionment of service charges to be invoiced to leaseholders is extended to include all properties to enable confirmation that tenants and leaseholders recharges are equivalent and that recharges equate to actual costs, and these reconciliations are performed on a regular basis</li> <li>e) Costs relating to responsive repairs which would not be permitted to be recharged to leaseholders are removed from the calculation determining the total to be apportioned across properties</li> <li>f) A policy is maintained to enable determination of appropriate management service charges for apportionment</li> <li>g) Any adjustments required to service charges should be applied promptly to ensure accuracy of records and transparency of charging.</li> </ul>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Tenants are not billed for leaseholder service charges in accordance with approved protocols			
Ref.	Finding	Sig.	Recommendation
9. Cont.	<p>Continued:</p> <p>Also the above spreadsheet does not include tenanted properties. Including all properties would enable a reconciliation to Finance system records, and enable the Council to be assured that tenants and leaseholders are charged equally (staff acknowledge that at present it was possible they were not charged equally) and would also demonstrate that:</p> <p style="padding-left: 40px;">Leasehold recharges + Tenant Recharges = actual costs</p> <p>We were advised that the costs of responsive repairs for tenants are included in the calculation of total repairs costs allocated across leaseholder and tenanted properties. This calculation should be reviewed as it may not equate to appropriate apportionment permitted by the leaseholder agreements. We were also advised that at the time of the review, the Leasehold Management officer was aware of an adjustment required to the charges for one block, which he would apply at the year end. Any known adjustments or corrections should be recorded and applied promptly to ensure accuracy and transparency of records and charging.</p> <p>We noted that management service charges have been frozen for 2 years as there was no policy on this, but that a policy has now been prepared for consideration by Committee in June 2017.</p>	Med	
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p>We have recently taken a Service Charge Strategy to Housing Committee that highlights the Council's intentions to implement a Service Charge Policy. The Policy itself will be going for final Committee approval in September 2017 with a view to action it at the start of the new financial year 2018/2019. This Policy outlines the items which will be charged to both Tenants and leaseholders.</p> <p>As part of the final implementation process date the Council will be reviewing its processes on calculating Service Charges to ensure it is done effectively without the need for manual adjustments. We intend to have transparent calculations specific to Tenants and Leaseholders.</p>		<p><i>Responsible Officers: Nicola Marsh</i></p> <p><i>Implementation Date: April 2018</i></p>	

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK:** Maintenance works are not subject to adequate approval processes to undertake the works, and to sign off completion of the works

Ref.	Finding	Sig.	Recommendation
10.	<p>Where Electrical Installation Condition Report (EICR) surveys are carried out, the Inspection reports are provided by contractors also commissioned to carry out the remedial work identified, therefore the contractor quotes for all works identified on the EICR. This reflects a potential conflict of interest for the contractor. The contents of the EICR are therefore subject to review by the Compliance Manager and Council staff also conduct surveys of premises before commissioning work. The Compliance Manager advised that previously the Council was commissioning all works identified in the EICR and quote, but his review has now significantly reduced the value of orders placed for remedial work.</p> <p>The Compliance Manager advised that whilst he has significant experience in this field and he informally maintains his knowledge of current developments, he does not hold up to date certificates or qualifications which would enable him to carry out EICR inspections. Therefore the Council should consider this situation, as, if challenged, this could affect the Council's liability in the event that an identified fault led to harm following a decision not to rectify it.</p> <p>The Compliance Manager's records of his own inspections are very limited. He keeps rough notes only and there are some checks he advised he undertakes but does not maintain records of (such as alarm testing).</p> <p>The Compliance Manager also advised that where he raises a query (ie items on an EICR and quote have either not been ordered, or assessed as not required), there is no follow up process to ensure queries are resolved.</p>	Med	<p>a) The Council reviews the scope of the Compliance Manager role and essential qualifications required to perform this role</p> <p>b) Clear records are maintained of all surveys and inspections carried out, and these are retained in an accessible form (such as on the Housing Management system)</p> <p>c) Where queries are raised for entries made on an EICR, a process is developed to ensure they are followed up (and either the work or alternative work is commissioned, or the item is recorded as determined to be not required).</p> <p>See also Pages 6 &amp; 7 regarding conflicts of interest.</p>

MANAGEMENT RESPONSE	RESPONSIBILITY AND IMPLEMENTATION DATE
<p>The BBC Contracts Administrator of the electrical contractor reviews all requests for day to day repairs works exceeding the self-authorisation level of £250, checking costs and consideration on whether to authorise the work. With regards to electrical Inspection Condition reports (EICR's), which are undertaken by a qualified engineer. There is currently no programme to undertake these and therefore EICR's are on the main undertaken on void properties and occasionally to occasionally to occupied dwellings and landlords supplies to blocks. The relevant BBC manager questions and challenges all reports and only authorises works that are necessary to proceed. As a general rule, Code 1's (danger present) and C2's (potentially dangerous) and works to smoke and detection proceed, whilst Code 3's (improvement recommended) are considered for action by the BBC contracts administrator.</p>	<p><i>Responsible Officers: Rob Burton, Nicola Marsh</i></p> <p><i>Implementation Date: April 2018</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

RISK: Front line staff are not trained to identify fake or forged documents, or fraud warning signs, or they do not refer potential fraud for investigation

Ref.	Finding	Sig.	Recommendation
11.	<p>We noted that whilst the Council has fair processing statements on the website and forms relating to the National Fraud Initiative, other Councils and Housing Associations have more detailed statements. Examples are as follows:</p> <p><a href="http://www.reading.gov.uk/media/1575/Housing-Services-Fair-Processing-Notice/pdf">www.reading.gov.uk/media/1575/Housing-Services-Fair-Processing-Notice/pdf</a></p> <p><a href="http://www.tvha.co.uk/policy/fair-processing-statement/">www.tvha.co.uk/policy/fair-processing-statement/</a></p> <p>These statements are specific to the administration of social housing and include provision of information to contractors carrying out works to properties, agencies concerned with safeguarding and additional statements on the use of data for prevention and detection of fraud.</p>	Low	Enhance the Fair Processing Notice for matters relevant to the administration of social housing.
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
We will include a fair processing statement for Housing on the website as recommended			<p><i>Responsible Officers: Angela Abbott, Stuart Morris</i></p> <p><i>Implementation Date: September 2017</i></p>

# DETAILED FINDINGS AND RECOMMENDATIONS

**RISK: Governance arrangements, including authorisation routes, and the clarity of procedures and processes for dealing with Right to Buy applications are inadequate**

Ref.	Finding	Sig.	Recommendation
12.	<p>The website instructs people wishing to make a Right to Buy application to contact the Council's Housing Team. When contact is made the Officer prints a letter for the applicant and encloses it with all the advisory notices and application form.</p> <p>There is an opportunity to develop self service arrangements and Web forms to improve efficiency and drive customer focussed channel shift.</p>	Low	Right to buy information and application forms are made available for download via the Council's website. Further efficiency could also be gained through integration between submitted applications and the Housing Management system.
<b>MANAGEMENT RESPONSE</b>			<b>RESPONSIBILITY AND IMPLEMENTATION DATE</b>
<p>The Right to buy website page will be updated to include more information for tenants to include FAQ's. We will review our processes to include a link for tenants to apply on-line rather than tenants having to submit a paper copy.</p>			<p><i>Responsible Officers: Angela Abbott, Nicola Marsh</i></p> <p><i>Implementation Date: November 2017</i></p>

# OBSERVATIONS

RISK: The Housing Stock Condition Survey specification does not adequately define the scope of works and arrangements for identifying and reporting stock condition

1	There have been some potential anomalies between contractor reporting of service provision and information provided by tenants. We understand that for some properties to which the Contractor advised they were unable to gain access, that residents reported no attempt was made by the contractor. As there was no requirement within the contract to leave a card at no access properties, it is possible that access was attempted without residents being aware.
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# APPENDIX I - TENANCY FRAUD, WARNING SIGNS & PREVENTION

The following summarises the Regulatory Framework, Tenancy Fraud risks, warning signs and prevention.

## REGULATORY FRAMEWORK, FRAUD TYPES, WARNING SIGNS & PREVENTION

### REGULATORY FRAMEWORK:

#### Regulatory Framework for Social Housing in England 2012

- Includes a direction to registered providers that they should '*publish clear and accessible policies which outline their approach to... tackling tenancy fraud*'

#### Prevention of Social Housing Bill

- Creates an offence of subletting a social tenancy or parting with possession of a socially rented property.

### TYPES OF TENANCY FRAUD:

- **Application / allocation fraud:** false statements made or false documents provided to gain a property, or applying for multiple properties in different locations through different landlords
- **Subletting:** tenant rents out all or part of their property on a long or short term basis to someone on private rental rates. Credit checks may identify links with other social housing properties and social media may identify other living arrangements
- **Key selling:** tenant or employee receives one-off payment to give the keys of a property to someone who is not entitled to live there. Requests for additions to tenancy have been an indicator and residency checks used to identify this issue
- **Right to Buy / Right to Acquire Fraud:** tenant provides false information when applying to buy the house they live in
- **Succession Fraud:** person moves into a property when the legal tenant dies or moves away, but that person does not have the right to move in
- **Business use:** examples of previous indicators included overgrown garden or suspicious pattern of energy use.

### TENANCY FRAUD WARNING SIGNS:

- No contact with tenant for period of time
- No repairs raised
- Difficulties gaining access for annual gas servicing
- Households where assignment or succession has been refused
- Credit on rent / significant credit, or rent paid in cash
- Rent paid from account belonging to someone other than the registered tenant
- High arrears on rent
- Antisocial behaviour
- High number of complaints
- Known fraud hotspots.

# APPENDIX I - TENANCY FRAUD, WARNING SIGNS & PREVENTION (continued)

## REGULATORY FRAMEWORK, FRAUD TYPES, WARNING SIGNS & PREVENTION

### FRAUD PREVENTION GENERAL CHECKLIST:

- Policies in bribery, corruption, whistleblowing and a code of ethics, as well as organisational awareness of these
- Fraud risks included in risk register and reviewed regularly. Fraud risks to be considered as part of every new project or activity, and for changes to business processes
- Financial controls for income, purchases, payments, property and investments, as well as monitoring of compliance
- Analyse housing management and financial systems for red flag issues to follow up
- Conduct due diligence on tenants and business partners at start of tenancy and periodically thereafter. Checks with credit reference agencies, other LA's and shared fraud databases
- Vetting procedures for employee appointments and periodic checks in high risk areas (eg finance) or promotions
- Mechanisms for raising concerns / suspicions and promote these widely
- Keep up to date with latest fraud threats, remain vigilant for signs they might be occurring, ensure relevant people told of risks and are trained to deal with them
- Share best practice and lessons.

### ADDITIONAL STEPS TO PREVENT / DETECT TENANCY FRAUD:

- Tenancy fraud policy covering subletting, application, succession, key selling, right to buy and right to acquire
  - Where the approach is promoted to tenants, there are much higher numbers of referrals concerning potentially misused properties and even more where there is easy reporting (hotline or online form). Promotion also acts as a deterrent
- Conduct checks on new applicants: applicants complete declarations and sign them, check identity, residency, tenancy history etc
  - Checks can include verifying forms of identification, tenancy history and household circumstances
  - Can also include credit reference check to verify tenancy history or matching data
  - Staff need training focussed on ID verification and identifying forged documents
  - Data sharing - housing providers share information about tenants with external credit referencing agencies, LA's or other housing providers. These can be used to identify where person has provided inconsistent information (eg claiming single person discount to Council Tax department, but claiming overcrowding to obtain social housing to the Housing department)
- Take colour photographs and the signatures of new tenants and review them during the tenancy
- Tenancy audits on annual, risk based or rolling basis to check the authorised tenant is still living at property. Combine these with other planned visits
- Train frontline staff to spot fake and forged documents and other fraud warning signs throughout the tenancy life cycle.

# APPENDIX II - LEARNING FROM OTHERS

The following provides some examples of Housing fraud prevention and detection activity carried out by others.

Organisation	Housing Fraud Detection
Peabody Housing Association	Carry out unannounced estate visits to blitz neighbourhoods where there are concerns and carry out intensive tenancy audits. Staff are high profile and wear high vis vests. The exercises generally result in them receiving a greater number of tip offs to follow up than would have otherwise been received.
Manchester Tenancy Fraud Initiative	18 social housing providers set up a shared hotline and publicity campaign resulting in 76 reports, 7 properties recovered immediately and 35 fraud investigations. Collaboration and data sharing supports detection of fraudulent activity.
Hull City Council	Invites applicants whose housing circumstances require verification to an interview to discuss their housing situation. As part of the interview a clear definition of 'misrepresenting circumstances' is read to the applicant, explaining that if the applicant has failed to disclose information or has made false claims on their application they may be denied access to housing and may have committed an offence. Applicants are given the opportunity to amend their statements and this has led to down grading applications and withdrawal of properties on offer.

# APPENDIX III - FRAUDULENT DOCUMENT AWARENESS

Finding 1 comments on document copying and checking procedures. The likelihood of fraudulent documents being detected is enhanced with staff knowledge of the potential for fraud to exist, understanding of genuine documents and awareness of how documents may be forged. This appendix provides a summary of key points to consider in assessing the legitimacy of documents provided as part of the checking process.

The following information reflects guidance provided by the National Document Fraud Unit, UK Home Office: guidance on examining identity documents 2015.

## 1. DOCUMENT FRAUD TYPES

Document abuse may include the following:

- Imposter - this is the most common type of document abuse, the imposter is simply a look-a-like (documents are not altered at all)
- Counterfeit - complete reproduction from scratch to resemble an official document
- Forgery - unlawful alteration of an existing document (eg substituting pages or photographs, or altering details on the document)
- Pseudo / Fantasy documents - documents have no authority and are not officially recognised.

## 2. IDENTIFICATION OF DOCUMENT ABUSE

### Imposter

Verify signature to document.

### Forgery

- Most commonly substituted or altered page is the bio-data page
- Pages and cover of passport should be in complete alignment and tightly bound, pages should be same size
- Look for continuity where seals, stamps or laminates appear across photographs
- Look for damaged paper at data points.

Pseudo / Fantasy documents - see overleaf.

### Counterfeit

- UV light - counterfeit documents often fluoresce (shine more brightly) under UV light. Genuine documents use dull secure paper
- Watermarks - created during manufacture to vary thickness of the paper resulting in subtle changes in tone. Watermarks do not fluoresce
- Security fibres - genuine documents may contain fibres randomly across the page which do fluoresce (and will not be in the same position on difference pages)
- Intaglio ink - printing in areas results in ink having raised and rough feel, and is often used on the inside cover of passports. May also reveal hidden pattern when viewed at an oblique angle
- Characters - characters in the machine readable zone should contain only these characters in this font
- Document quality - document should be manufactured to high standard, and contain quality printing.

# APPENDIX III - FRAUDULENT DOCUMENT AWARENESS (Continued)

## 3. AWARENESS OF TYPES OF DOCUMENTS WHICH MAY LEGITIMATELY BE SUBMITTED

Identity documents include passports (UK, EU and non-EU), national identity cards, residence documents, driving licences, military identity cards and official identity documents (such as police warrant card). By being familiar with the documents that may be submitted, including their endorsements and restrictions, staff are more likely to recognise documents which do not accord with protocols.

The following link provides a summary and illustrations of the types of document which may be submitted

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/503927/gov\\_uk\\_guide\\_-\\_including\\_impostors\\_270216.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/503927/gov_uk_guide_-_including_impostors_270216.pdf)

Home office guidance indicates the most common counterfeits are EU documents

## 4. WHERE TO GO FOR ADDITIONAL ADVICE

If you encounter a suspected false document, contact the Police or your local Immigration Enforcement Office

<https://www.gov.uk/report-immigration-crime>.

UK Government - guidance for employers <https://www.gov.uk/uk-visa-sponsorship-employers>.

Public Register of Authentic travel and identity Documents Online (PRADO) for EU documents <http://www.consilium.europa.eu/prado/en/prado-start-page.html>.

Centre for the Protection of National Infrastructure - Good Practice Guide on Pre-Employment Screening, Document Verification

[http://www.cpni.gov.uk/documents/publications/2007/2007044-gpg\\_document\\_verification\\_guidance.pdf?epslanguage=en-gb](http://www.cpni.gov.uk/documents/publications/2007/2007044-gpg_document_verification_guidance.pdf?epslanguage=en-gb).

## 5. SUMMARY OF BASIC DOCUMENT CHECKS

- Does the document allow the person to live and work in the UK?
- Is the person the rightful holder of the document or an imposter?
- Is the document genuine or a counterfeit?
- Has the document been unlawfully altered or forged?
- Is the document one that exists or a pseudo / fantasy document?

# APPENDIX IV - STAFF INTERVIEWED

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

NAME	JOB TITLE
Angela Williams	Head of Housing
Stuart Morris	Interim Housing Manager
Sharon McBride	Housing Support Team Leader
Isabelle Hatton	Housing Officer
Annika Guy	Housing Officer
Zoe Chittick	Housing Options Officer
Michael Hanson	Housing Officer
Donald Young	Compliance Manager
Abi Olowosoyo	Commercial Manager
Vijay Parmar	Housing IT Consultant
Ayotunde Odukoya	Leasehold Management Officer
Phillip Bell	Surveyor

NAME	JOB TITLE
James Cook	Customer Contact Advisor
Georgina Weller	Customer Contact Advisor
Victoria Banerji	Fraud Investigator and HR Officer
Phoebe Barnes	HRA Accountant
Russell Clinker	Senior Asset Manager
Adrian Tidbury	Estate and Valuation Surveyor Portfolio Development

# APPENDIX V - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS of internal controls	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
<b>Substantial</b>	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b>	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b>	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b>	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

Recommendation Significance	
<b>High</b>	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b>	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b>	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

# APPENDIX VI - TERMS OF REFERENCE

## BACKGROUND

The Council's Corporate Plan 2016 to 2019 reflects the prioritisation of Housing within the Borough and includes the following vision relating to Housing Management:

*We will work to ensure our Housing stock is managed so that it delivers comfortable and safe homes for our tenants that are efficient and sustainable*

The following data is from the Housing revenue Account Income & Expenditure Statement 2015/16 and supporting notes:

- £5,329,000 total expenditure of which £2,925,000 was expenditure on repairs and maintenance
- £12,143,000 Income from dwelling rents, and £546,000 from non-dwelling rents
- £287,000 net rent arrears as at 31 March 2016 (includes provision for doubtful debts)

Council Housing stock, as at the 31 March 2016, was:

- 1,159 flats
- 1,320 houses and bungalows
- 7 equity share properties

The Council has recently revised its Housing Strategy (2017-2020) in response to a changing economic climate and an increasing demand for social housing. The strategy recognises the need for community based solutions, working effectively with other housing, social and health care providers, and to use resources efficiently and effectively to address housing needs

## PURPOSE OF REVIEW

The purpose of this review is to consider the design and effectiveness of the controls in place around Housing to highlight any areas where the controls might be improved.

## SCOPE OF REVIEW

The review will consider the adequacy of arrangements relating to Housing stock (due diligence checks and fraud prevention, debt recovery and health and safety checks), Right to Buy (governance, checks on qualifying criteria, valuations and tenant advice) Housing maintenance contractual arrangements, and Leaseholder Service Charge accounts (apportionment and billing).

## EXCLUSIONS

Our work is limited to the elements defined within the scope of the review and key risks. Detailed testing will not be undertaken in all areas.

## APPROACH

Our approach will be to conduct interviews to establish the controls in operation for each area of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks. Any opportunities identified to improve arrangements will be offered for consideration alongside recommendations to resolve any weakness in controls.



# APPENDIX VI - TERMS OF REFERENCE

## KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding, the key risks associated with the area under review are:

### General arrangements for Housing Stock:

- Due diligence checks are not made on tenants prior to the commencement of the tenancy (covering identity, residency and tenancy history)
- Due diligence checks are not undertaken periodically during the tenancy, including tenancy audits
- Front line staff are not trained to identify fake or forged documents, or fraud warning signs, or they do not refer potential fraud for investigation
- Debt collection and recovery procedures are inadequate to ensure that delays in receipt of rent payments and loss of income is minimised
- Health and safety checks, such as gas compliance, electrical safety and fire safety, are not carried out as required, or evidence of checks is not maintained

### Arrangements for Right to Buy:

- Governance arrangements, including authorisation routes and clarity of procedures and processes for dealing with Right to Buy applications, are inadequate
- Tenancy audits, including checks on identity, residency and tenancy history / qualifying period, are not carried out on applicants to ensure the applicant qualifies for Right to Buy
- Property valuations are not carried out by a qualified property surveyors, who have an understanding of tenancy fraud risks, prior to the Right to Buy being agreed
- Tenants are not provided with advice on their responsibilities and risks associated with home ownership, prior to the completion of a Right to Buy application

### Housing Maintenance and other contracts:

- The Housing Stock Condition Survey specification does not adequately define the scope of works and arrangements for identifying and reporting stock condition
- Housing Maintenance contracts do not adequately define scope of works and arrangements for agreement of planned and reactive maintenance work to be carried out
- Maintenance works are not subject to adequate approval processes to undertake the works, and to sign off completion of the works

### Leaseholder Service Charge Accounts

- Tenancy agreements do not define the protocols for apportionment and billing of Leaseholder service charges to tenants
- Tenants are not billed for leaseholder service charges in accordance with approved protocols

# APPENDIX VI - TERMS OF REFERENCE

## DOCUMENTATION REQUEST

Please provide the following documents in advance of our review (where possible):

### Housing Stock:

- Procedures relating to tenancy due diligence checks made prior to commencement of the tenancy and during the tenancy
- Details of staff training and / or guidance provided on fake document identification and action to take
- Debt collection and recovery procedures
- Aged debt report for housing rents
- Procedures for housing health and safety checks
- Records of housing health and safety checks planned and made, and actions arising from those checks

### Right to Buy:

- Details of governance arrangements, authorisations, and procedures and processes for dealing with Right To Buy applications
- Protocols followed for determining eligibility for Right to Buy
- Protocols followed for determining property valuations
- Advice provided to tenants on property ownership

### Housing Maintenance Contract:

- The Housing Maintenance contracts including schedules of works
- Details of jobs raised in respect of the contract (planned and reactive)
- Protocols followed for authorising commencement of works and sign off for completion of works
- Example records of property maintenance history

### Leaseholder Service Charge Accounts

- Approved protocols for the apportionment of leaseholder service charges

Any documents provided will assist the timely completion of our fieldwork, however we may need to request further documentation and evidence as we progress through the review process.

# APPENDIX VI - TERMS OF REFERENCE


## TIMETABLE


Audit Stage	Date
Commence fieldwork	3 March 2017
Number of audit days planned	20
Planned date for closing meeting	w/c 17 April 2017
Planned date for issue of the draft report	w/c 1 May 2017
Planned date for receipt of management responses	w/c 15 May 2017
Planned date for issue of proposed final report	w/c 22 May 2017
Planned Audit Committee date for presentation of report	TBA

## KEY CONTACTS

BDO LLP	Role	Telephone and/or email
Greg Rubins	Head of Internal Audit	t: 07583 114 121   e: greg.rubins@bdo.co.uk
Andrew Barnes	Audit Manager	t: 01473 320 745   e: andrew.barnes@bdo.co.uk
Angela Mitchell	Senior Auditor	t: 01473 320 748   e: angela.mitchell@bdo.co.uk
Brentwood Borough Council		
Angela Williams	Head of Housing	t: 01277 312 568   e: angela.williams@brentwood.gov.uk
Stuart Morris	Interim Housing Manager	t:   e: stuart.morris@brentwood.gov.uk

## SIGN OFF

On behalf of BDO LLP:		On behalf of Brentwood Borough Council:	
Signature:		Signature:	
Title:	HEAD OF INTERNAL AUDIT	Title:	
Date:		Date:	



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