

REPORT TO: Audit and Governance Committee

MEETING DATE: 28 November 2017

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Internal Audit Report – Homelessness

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Homelessness.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of the internal controls surrounding Homelessness was undertaken as part of the Audit Plan for 2017/18.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	16 November 2017

EAST LOTHIAN COUNCIL – INTERNAL AUDIT HOMELESSNESS

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2017/18, a review was undertaken of Homelessness. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The Council has in place an approved Charging for Homeless Services Policy – the Policy sets out the contributions that homeless clients, placed in Bed and Breakfast accommodation, are required to make.
- Payments made by the Council to Bed and Breakfast providers were in accordance with the contract rates.

1.3 Areas with Scope for Improvement

- In some cases, homeless clients were placed in Bed and Breakfast accommodation, although the provider was operating without the appropriate Houses in Multiple Occupation (HMO) licence. *Risk – failure to comply with legislation.*
- There was a failure by the Council to maintain independent records of all rental income received in respect of homeless clients placed in private sector accommodation. *Risk – loss of income to the Council.*
- There had been a failure by the Council to ensure that all amounts due in respect of end of tenancy liabilities had been fully recovered from the private sector leasing contractor – for tenancies that have ended since August 2016 significant amounts remain outstanding at the contract end date. *Risk – loss of income to the Council.*
- For private sector leased properties returned to landlords, there was a lack of evidence to indicate that rents paid in advance had been fully recovered. *Risk – loss of income to the Council.*
- There had been a failure to resolve ongoing issues that had been identified in respect of the private sector leasing contract, resulting in potential liabilities to the Council at the contract end date. *Risk – loss of income to the Council.*
- In some cases, homeless clients were being placed in non-contract accommodation (e.g. hotels or holiday parks) where the rates charged were higher than the rates for the Bed and Breakfast contract. *Risk – overspends may occur.*

1.4 Summary

Our review of Homelessness has identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

November 2017

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
HOMELESSNESS**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that both the Local Housing Strategy and the operational policy are finalised and formally approved.	Medium	Homelessness Manager	Agreed		April 2018
3.3.1	Management should ensure that a consistent approach is adopted for the receipt and evaluation of all tenders received – tenders should be evaluated in line with the Council's Statement of Requirements.	Medium	Homelessness Manager	Agreed		Next tendering exercise
3.3.2	Management should ensure compliance with the reporting requirements detailed in the Council's Corporate Procurement Procedures.	Medium	Homelessness Manager	Agreed		Next tendering exercise
3.3.3	Management should review the procedures in place for logging applications and payments received for HMO licences.	Medium	Team Manager – Democratic and Licensing	Agreed		March 2018

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3 (cont)	<p>Management should ensure that all relevant Bed and Breakfast providers hold a valid HMO licence.</p> <p>Management should ensure compliance with legislation – homeless clients should only be placed in establishments that hold a valid HMO licence.</p>	High	Homelessness Manager	Agreed		January 2018
3.4.1	<p>Management should explore all options available to minimise the use of non-contracted accommodation.</p>	Medium	Homelessness Manager	Agreed		Ongoing – action commenced November 2017
3.5.1	<p>Management should ensure that adequate records are maintained of all rental income received in respect of homeless clients.</p> <p>Management should ensure that for each property a reconciliation is undertaken between the rent amounts due and the actual amounts received.</p>	High	Homelessness Manager	Agreed – all properties now within Orchard Housing Management rent structure.		In Place
3.5.2	<p>Management should ensure that resources are prioritised to enable staff to identify all amounts due in respect of end of tenancy liabilities.</p>	High	Homelessness Manager	Agreed		Ongoing – process commenced November 2017

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.2 (cont)	<p>Management should ensure that appropriate action is taken to recover all sums due from the contractor as a matter of urgency.</p> <p>Management should seek legal advice to help resolve the outstanding issues in respect of end of tenancy liabilities.</p>					
3.5.3	Management should review the current arrangements for calculating lease fee refunds for void properties to ensure compliance with contract conditions.	Medium	Homelessness Manager	Agreed		Ongoing – action underway since November 2017
3.5.4	Management should ensure that all rent overpayments are identified and that urgent action is taken to recover the overpayments from the contractor.	High	Homelessness Manager	Agreed		Ongoing – process commenced November 2017
3.5.5	<p>Management should ensure that urgent action is taken to inspect all leased properties prior to the contract end date.</p> <p>Management should ensure that all properties are returned by the contractor to the Council in the same condition as they were initially let.</p>	High	Homelessness Manager	Agreed		Ongoing – process for securing temporary member of staff commenced, service review reflects need for member of staff for this service.

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.