Housing Tenancy

November 2019

Low Assurance

Lisa Lovegrove CMIIA, CISA, Chief Internal Auditor

Denbighshire Internal Audit Services, Caledfryn, Smithfield Road, Denbigh, LL16 3RJ

Purpose & Scope of Review

We carried out a review of Housing Tenancy as housing is one of the corporate priorities in the Corporate Plan, and forms part of our proactive counter-fraud work. This review provides assurance for senior managers within the service, the Annual Internal Audit Report, and the Annual Governance Statement.

Our scope covered the following areas:

- Data Validity Checks;
- Policies and Procedures;
- Subletting and Lodgers; and
- Tenancy Misuse.

Background & Context

During May 2019, a new staffing structure was implemented to enable staff to be multi-skilled to carry out all key duties such as administering income, reduce duplication and ensure processes are administered effectively. Some of the key processes such as the signing up of tenants are under review, and tenancy visits are planned to be introduced in the autumn. The housing website is also being redesigned to provide more guidance for tenants.

Housing tenants and the waiting list matches form part of the biennial National Fraud Initiative (NFI) data-matching exercise. There is a designated person within the service who is responsible for reviewing the matches.

Audit Opinion

Housing review their NFI matches as part of the biennial exercise to help identify data anomalies that may be due to fraud. We reviewed a sample of the recent matches and planned to visit council tenants to carry out validity checks and confirm there were no unauthorised sub-lettings or lodgers. However, there were a number of issues with the accuracy of the data rendering these visits unbeneficial:

- The majority related to historic joint tenancies where one tenant had moved out and the system had not been updated because a court order had not been received. The process has been improved for newer tenancies, but no action has been taken to remove the historic cases where diary notes clearly detail that the council has been informed of a tenant leaving;
- Tenancy agreements may not be valid as the person who signed it may no longer reside at the property;

- Other occupants of a property may not be recorded, or are contained within diary notes rather than using the occupancy list;
- Date of birth and national insurance numbers were not recorded for historic tenancies (this affects the quality of the data-matching results); and
- The death of a tenant in 2007 who was on a joint tenancy was not recorded. Due to a system error, the data of death could not be recorded in other cases and instead tenancies were terminated; ICT are hoping that a system upgrade has alleviated this issue.

As part of the application process, robust checks are carried out to confirm the person's identification and proof of earnings, obtaining references, and confirming someone is on benefits or universal credit. However, a copy of the identification documentation is not taken nor is the system functionality for uploading the tenant's photo used (information security advice would have to be taken first before this is pursued). Improvements in this area will assist in confirming that the rightful person is residing in the property.

However, there are currently no checks to confirm that the terms of the tenancy agreement is being met around legitimate persons living at the property and to detect any tenancy misuse, unauthorised subletting or taking in of lodgers. Tenancy audits are planned to be introduced in the autumn where every property will be visited within two years, and those that have not had any contact for a significant period of time will be prioritised first. However, the data quality will need to be improved before these visits occur.

Documented guidance should be provided to staff on subletting, lodgers, tenancy misuse and fraud so a consistent process is adopted and appropriate measures put in place. Similarly, there needs to be more awareness raised amongst tenants so that they can report any unauthorised practice. Processes should also be reviewed to ensure there are robust mechanisms for sub-letting or lodger requests and to record where these have been authorised or identified. While there have been no such requests, diary notes would be used if they did occur.

Chartered Institute of Housing training was provided recently for staff, which covered some of the issues highlighted in this review, such as joint tenancies. A small element of this training did cover fraud, but staff would benefit from further training in this area if available. Key staff have also received safeguarding training to cover 'cuckooing' or trap-houses (where drug gangs target vulnerable people to set up drug houses).

Other than reviewing housing NFI matches biennially, there is little data sharing amongst departments and with neighbouring councils and other organisations, such as registered social landlords (RSLs), to detect fraud or for monitoring trends. Staff are rightly mindful of General Data Protection Regulations (GDPR), and this should be explored to allow information sharing where it is justified by using data sharing agreements or updating privacy notices, and utilising fraud prevention intelligence via the Fraud Hub, Cifas or the National Anti-Fraud Network.

A more co-ordinated approach within housing is needed to ensure that all key information relating to tenants and occupants are recorded. While separate systems are maintained for gas checks and repairs and maintenance currently, measures should ensure that staff operating in different sections of housing consistently co-ordinate to raise issues and build up a better tenancy profile.

In conclusion, although there were some positive measures in place, because of the significant weaknesses identified, we provide a low assurance rating.

Low assurance	Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk.

Action Plan

Audit Review of: Housing Tenancy

Date: November 2019

	Corporate Risk/Issue Severity Key
0	**Critical** – Significant issues to be brought to the attention of SLT, CET, Cabinet Lead Members and Corporate Governance Committee
2	**Major** – Corporate, strategic and/or cross-service issues potentially requiring wider discussion at SLT and/or CET
1	**Moderate** – Operational issues that are containable at service level

Risk Issue 1– Root Cause 1	The quality of the data held in the Open Housing system is not robust. This could cause poor customer service, has implications for GDPR, and could result in staff time being used inefficiently.
Background Detail	We identified weaknesses in the following areas: • no action has been taken to remove the historic joint tenancies where the Council has been advised one tenant has left the property; • tenancy agreements may not reflect who the actual tenant is; • the occupancy list for some tenancies may not be up-to-date; • date of birth and national insurance number details are not recorded for older tenancies; and • the notification and recording of deceased claimants is not robust. *See Root Cause Analysis (Appendix 1) for further information.*

Action (Ref)	Agreed Management Action	Responsibility	Deadline
1.1	Planned programme of tenancy visits to all council homes to be implemented. This will support the gathering of up to date information on tenancies including NINO and DOB and other historically absent data.	Senior Officer – Neighbourhoods	March 2020
1.2	Reaffirm team requirement to use traffic light system on Open Housing to highlight gaps in data at every customer contact point.	Senior Business Support Officer	March 2020

1.3	Ensure staff have full knowledge of how and when to update Open Housing data including the administration of tenancy changes, recording deceased tenants, appropriate storage of occupancy details and detailing of lodger requests and permissions.	Senior Officer – Neighbourhoods	March 2020
1.4	Investigate staff permissions to support maintaining of up to date occupancy data.	Senior Business Support Officer	March 2020

Risk Issue 2 – Root Cause 2	Controls are not robust within the application process and tenancy management process to prevent inaccurate information being held, and assist with detecting unauthorised subletting or lodgers, and tenancy fraud.		
Background Detail	We identified weaknesses in the following areas: • copies of ID are not taken when a new tenancy is signed, and while there is the functionality within the system to upload the photograph of the tenant, this is not used; • routine visits are not carried out to confirm the property occupancy; • there is a lack of a co-ordinated approach within Housing to assist with detecting tenancy issues, unauthorised subletting or tenancy misuse; and • there is very little data sharing with departments or other councils that could assist with detecting tenancy issues or fraud. *See Root Cause Analysis (Appendix 1) for further information.*		
Action (Ref)	**Agreed Management Action**	**Responsibility**	**Deadline**

2.1	Ensure copies of ID retained at initial new tenancy stage for future cross checking.	Senior Officer – Neighbourhoods	March 2020
2.2	Investigate whether use of photos for new tenancies is practical, effective and legally compliant. Consider implications of tenant refusal.	Senior Officer – Neighbourhoods	March 2020
2.3	Develop process to identify key stages where an ID check must be carried out such as during tenancy visits, prior to tenancy change permissions, planned improvement work and disabled adaptations. Include awareness to expect these requests in communications to tenants	Senior Officer – Neighbourhoods	March 2020
2.4	Targeted work to identify high risk properties will be developed. This will include analysing data on "limited contact" properties and changes in rent payment behaviour for example.	Senior Business Support Officer	September 2020
2.5	Improve the processes for administering NFI matches to ensure robust action is taken.	Senior Business Support Officer	September 2020
2.6	Investigate potential to use NFI AppCheck.	Senior Business Support Officer	September 2020
2.7	Investigate customer insight products such as Housing Partners that could support improving the quality of data and fraud detection taking into account other corporate anti-fraud projects and data sharing requirements.	Lead Officer – Community Housing	September 2020
2.8	Consult DTARF the tenant representative group regarding these proposals.	Lead Officer – Community Housing	December 2019

Risk Issue 3	Clearer documented guidance is needed for both staff and tenants on sub-letting, lodgers and tenancy misuse and fraud. Without this, it could mean that there is a lack of awareness, and any unauthorised practice may not be detected so that appropriate measures can be put in place.
Background Detail	Tenants are provided with an agreement that explains the conditions of their tenancy. It details that lodgers are allowed as long as this did not cause the property to be overcrowded, and Housing is kept informed of the part of the property that is occupied. Tenants are

also allowed to sublet part of their property if prior written permission is obtained. However, this guidance does not explain the difference between sub-letting and lodgers, and there is no application form to record this request. There needs to be more awareness to encourage tenants to raise where they suspect such unauthorised practice is being carried out (the website was being redesigned during our review).

Controls are also not robust for staff in that there is no documented guidance for them on sub-letting and lodgers or for tenancy misuse. There is not a robust mechanism for recording lodgers and sub-letting or tenancy misuse, e.g. diary notes would be used instead. However, there have not been any requests to have a lodger or for someone to sub-let.

Action (Ref)	Agreed Management Action	Responsibility	Deadline
3.1	Develop and implement procedures for staff on processing requests for lodgers.	Senior Officer Neighbourhoods	March 2020
3.2	Develop and implement procedures for staff for dealing with suspected tenancy fraud reports including investigation and legal processes. This will include how and when to share data with other council departments to detect potential fraud.	Senior Officer Neighbourhoods	March 2020
3.3	Raise awareness with tenants through social media and newsletters of what is tenancy fraud, its impact and how to report suspected cases and differentiation with lodging.	Customer Engagement & Marketing Manager	March 2020

Appendix 1 - Root Cause Analysis

Root Cause 1 – The quality of the data held in the Open Housing system is not robust. This could cause poor customer service, has implications for GDPR, and could result in staff time being used inefficiently.

Underlying weakness – no action has been taken to remove the historic joint tenancies where the Council has been advised one tenant has left the property.

We reviewed a sample of 14 NFI matches and planned to visit council tenants to carry out validity checks and confirm there were no unauthorised sub-letting or lodgers. However, due to data quality issues as detailed within this Root Cause Analysis, the visits would not have been beneficial.

Six of the matches were in relation to a joint tenancy issue, where one of the tenants had left the property leaving the remaining tenant. Historically, there would have been no changes to the tenancy recorded on the system unless a property adjustment order (a court order for divorce or separation where this affects the right of ownership of property) was provided, which would result in a considerable cost to the tenants. Since then, legal advice has been obtained to make the process more efficient with only one tenant now needing to give the consent to end the tenancy although all parties would still be contacted. However, nothing has been done about the historic joint tenants that remain on the system.

This has implications for the NFI exercise, as the same matches will repeatedly appear in each exercise so not only the person responsible in housing will be seeing the same matches, but as housing data is matched against other datasets, such as benefits and council tax, this will mean that other staff are inefficiently reviewing inaccurate data. It also has implications under GDPR in that we are holding personal data unnecessarily despite a tenant advising that the other tenant has moved out.

Underlying weakness – tenancy agreements may not reflect who the actual tenant is.

For one of our sample, a sole tenant had left a council property in 2002 without notifying the Housing department and his ex-wife continued to live there. She made a sole claim for housing benefit in 2002 and housing would have been advised that the sole tenant had moved out. When the property was refurbished in 2006, a wet room was added and the bathroom adapted to suit the needs of the ex-wife but there were no checks of the tenancy agreement prior to undertaking this work to highlight that she was not the tenant. The fact that the ex-husband was recorded as the sole tenant was identified through a NFI match and resolved in 2018.

We are concerned about the robustness of checks of tenancy agreements and that similar issues may occur on other tenancies, e.g. that other tenants might not have a valid tenancy agreement. The above also highlights the importance of carrying out robust checks of tenancies before any adaptations, or repairs and maintenance are carried out.

Underlying weakness – the occupancy list for some tenancies may not be up-to-date.

Our testing found that the occupancy list of a property had not been updated to reflect the names and date of birth of the children that had moved in with their mother. Instead, this was recorded in the diary notes held. In another case, a husband and two children were listed on the occupancy list – a diary note referred to the wife not paying the rent, yet she was not recorded on the occupancy list. We were advised that the updating of the occupancy list is restricted to certain staff in Housing, and there would also be some historic tenancies where the occupants are not recorded (as this was not required at the time).

Currently, there are no checks of the occupancy of the property to determine if it is under occupied. This is due to there being concerns over the quality of data held.

Underlying weakness – date of birth and national insurance number details are not recorded for older tenancies.

The date of birth or national insurance numbers were not recorded in four of the 14 NFI matches reviewed. These were historic tenancies (starting before 2002) and staff have confirmed that these details are routinely recorded for all newer tenancies. Improvements with the data quality of tenancies will assist in improving the data quality and reduce the number of NFI matches.

Underlying weakness – the notification and recording of deceased claimants is not robust.

We identified for one NFI match in our sample that one of the joint tenants had passed away in 2007. However, the Open Housing system has not been updated to reflect this. There are system diary notes in 2018 that record the death but Housing were awaiting a death certificate before the system could be updated further. Staff advised that communication would have been sent out in a joint name since 2007. Housing are part of the Tell us Once system (although this was only launched in 2012) which is reliant on the person registering the death to opt into it.

We are concerned that there may be other deceased tenants which have not been recorded as such on the system. There is a NFI match between housing tenants and DWP deceased data, and our sample testing identified that all tenancy agreements had been terminated rather than recording the date of death. The Senior ICT Business Systems Officer (responsible for the Open Housing system) advised that there is the functionality to record the date of death, but there is a fault that causes the system to crash when this is recorded. Housing staff were advised not to utilise the function until the problem had been addressed and to terminate the tenancy instead. Now the system has been upgraded, the functionality has been retested and appears to be working. ICT will liaise with housing staff about switching the functionality back on in the live system to record the date of death.

Root Cause 2 – Controls are not robust within the application and tenancy management processes to prevent inaccurate information being held, and assist with detecting unauthorised subletting or lodgers, and tenancy fraud.

Underlying weakness – copies of ID are not taken when a new tenancy is signed, and while there is the functionality within the system to upload the photograph of the tenant, this is not used.

When an applicant has accepted a property offer, they will be visited to complete a pre-tenancy assessment form. The housing officer will request to see identification and assess their financial circumstances, but copies of identification documentation are not taken. While the Open Housing system has the functionality to retain photographs of the tenants, this is not currently utilised either. Improvements in this area will confirm that the actual person residing at the property is the same person that signed the tenancy agreement, although advice on the storage of such information will have to be taken to ensure GDPR is complied with.

Underlying weakness – routine visits are not carried out to confirm the property occupancy.

Housing staff will only carry out a visit within a year of a new tenancy starting to confirm that arrangements are working well, or where there is a known issue, e.g. rent not being paid. Currently, no further checks are carried out to identify if there is any unauthorised subletting or lodgers, or tenancy misuse. Tenancy audits were planned to be introduced in May 2019, but due to the staffing restructure, the implementation was delayed. At the conclusion of our review, it is hoped that the audits will start in September 2019 and every property will be visited at least once every two years.

Underlying weakness – there is a lack of a co-ordinated approach within Housing to assist with detecting tenancy issues, unauthorised subletting or tenancy misuse.

Repairs and maintenance and gas checks are currently recorded on different systems to the Open Housing System. There is no monitoring of the properties where repairs have not been reported or there has been no contact with the tenant for a significant period of time. Staff do discuss some tenancies but there needs to be a more joined up approach to assist with building up a tenant's profile.

Similarly, the monitoring of rent payments could be more robust as there are no checks of changes to payment frequency, cash payments, and where the name of the rent payer differs to that of the tenant. There may be legitimate reasons for the above, but having more information of the tenant's profile could provide an indicator to assist with the detection of any fraud or misuse. Documented procedures need to be strengthened to ensure there is a consistent process in visiting a property where there are rent issues.

Underlying weakness – there is very little data sharing with departments or other councils that could assist with detecting tenancy issues or fraud.

Housing form part of the NFI exercise to assist with detecting errors and detect fraud, and they have recently started to use NFI's AppCheck as this provides matches based on real time information. While tenancy cases may be discussed as part of the SARTH partnership, there is little data sharing between

councils, departments and other organisations (such as RSLs) to highlight issues or to assist with the prevention and detection of tenancy fraud.

The Lead Officer (Community Housing) explained that they had explored with some organisations about carrying out credit checks and improving data quality, but tenants would have to opt into the process and if there was a lack of interest, the cost would not be viable.

Appendix 2 – Risk Matrix and Assurance Ratings

Likelihood									
		>70%	Almost Certain	A	YELLOW	ORANGE	ORANGE	RED	RED
	Event likely to occur in most circumstances	30–70%	Likely	B	YELLOW	YELLOW	ORANGE	RED	RED
	Event will possibly occur at some time	10–30%	Possible	C	GREEN	YELLOW	YELLOW	ORANGE	RED
	Event unlikely and may occur at some time	1–10%	Unlikely	D	GREEN	GREEN	YELLOW	ORANGE	ORANGE
	Event rare and may occur only in exceptional circumstances	<1%	Rare	E	GREEN	GREEN	YELLOW	YELLOW	ORANGE

	5	4	3	2	1
	Very Low	Low	Medium	High	Very High
Service Performance	Minor errors or disruption	Some disruption to activities/customers	Disruption to core activities/customers	Significant disruption to core activities. Key targets missed	Unable to delivery core activities. Strategic aims compromised
Reputation	Trust recoverable with little effort or cost	Trust recoverable at modest cost with resource allocation within budgets	Trust recovery demands cost authorisation beyond existing budgets	Trust recoverable at considerable cost and management attention	Trust severely damaged and full recovery questionable and costly
Financial Cost (£)	<£50k	£50k – £250k	£250k – £1m	£1 m – £5 m	>£5m
Impact					

Levels of Assurance	Definition	Management Intervention

■	High Assurance	Risks and controls well managed and objectives being achieved.	Minimal action required, easily addressed by line management.
■	Medium Assurance	Minor weaknesses in management of risks and/or controls but no risk to achievement of objectives.	Management action required and containable at service level. Senior management and SLT may need to be kept informed.
■	Low Assurance	Significant weaknesses in management of risks and/or controls that put achievement of objectives at risk.	Management action required with intervention by SLT and / or CET.
■	No Assurance	Fundamental weaknesses in management of risks and/or controls that will lead to failure to achieve objectives.	Significant action required in a number of areas. Require immediate attention from SLT or CET.

Report Recipients
• Lead Officer (Community Housing)
• Senior Business Support Officer
• Neighbourhood Housing Team Leader
• Senior Officer Neighbourhoods
• Head of Facilities, Assets and Housing
• Head of Communities & Customers
• Senior ICT Business Systems Officer (Open Housing system)
• Corporate Director: Communities
• Chief Executive
• S151 Officer
• Lead Officer (Destination, Marketing and Communication)
• Strategic Planning & Performance Officer
• Scrutiny Co-ordinator
• Chair – Performance Scrutiny Committee
• Lead Member for Housing & Communities
• Lead Member for Finance, Performance & Strategic Assets
• Corporate Governance Committee

Internal Audit Team		
Lisa Harte	Senior Auditor	01824 708084 lisa.harte@denbighshire.gov.uk
Irene Griffiths	Auditor	01824 706974 irene.griffiths@denbighshire.gov.uk

Key Dates	
Review commenced	March 2019
Review completed	August 2019
Reported to Corporate Governance Committee	20 November 2019