

# Glasgow City Council Internal Audit Section

## Committee Summary

### Neighbourhoods, Regeneration and Sustainability – Private Rented Sector

**Item 5(e)**

22nd May 2024

## 1 Introduction

- 1.1 As part of the agreed Internal Audit Plan, we have carried out a review of the Private Rented Sector processes, managed by Neighbourhoods, Regeneration and Sustainability (NRS).
- 1.2 The private rented sector plays a large role in Scotland's housing system with approximately 60,000 private rented properties in Glasgow. There are around 40,000 registered landlords in the City. Within the Private Rented Sector, the Private Landlord Registration Unit (PLRU) and the Houses in Multiple Occupation (HMO) sections are responsible for ensuring that landlords are appropriately registered and HMO properties meet the required standards.
- 1.3 The landlord registration system requires each local authority in Scotland to maintain a register of private landlords in its area, and to ensure that only those landlords that it judges to be fit and proper are allowed on the register which gives local authorities the authority to control and regulate who can operate legitimately as a private landlord. Landlord registration was introduced in 2006 by the Antisocial Behaviour (Scotland) Act 2004.
- 1.4 HMO properties are subject to safety inspections prior to licences being issued.
- 1.5 The purpose of the audit was to ensure that suitable processes are in place for the registration and management of Private Landlords & HMOs as well as ensuring that HMO properties are adequately assessed for occupancy.
- 1.6 The scope of the audit included:
  - Reviewing the applications process to ensure all relevant information is captured.
  - Verifying adequate arrangements exist to review the register and ensure it is accurate.
  - Reviewing a sample of landlords to verify that expected checks have been carried out and are supported with appropriate evidence.
  - Reviewing the arrangements in place for identifying unregistered landlords.
  - Ensuring there are clear policies and processes in place for dealing with complaints about landlords.
  - Verifying landlord registration enforcement action is carried out.

## 2 Audit Opinion

2.1 Based on the work carried out a reasonable level of assurance can be placed upon the control environment. The audit has identified some scope for improvement in the existing arrangements with five recommendations and one opportunity for improvement which management should address.

## 3 Main Findings

3.1 We found that some key controls were in place and operating effectively. The structure of the team is clearly defined and relationships with relevant departments are known. A suitable application process is in place for Landlord registration to capture all relevant information.

3.2 A suitable appeals process is in place for individuals who fail the “fit and proper” test which is a part of the application process for both Landlords and HMO owners. The sanctions which can be imposed on unregistered landlords are clear and documented.

3.3 However, our audit testing found areas for improvement. At the time of the audit procedural documentation could not be located and we were unable to verify that procedures are in place or that they are up to date and reflect current processes. From a review of record keeping for HMO assessments we identified 2 instances from a sample of 10, where the memo to committee, which should be provided to the Licensing Board and shows the findings of inspections, was not retained within locally held records as expected.

3.4 We reviewed a sample of 20 HMO properties to verify that they had been subject to an inspection within the last 3 years, and confirmed that this had taken place in all instances. However, we identified 3 instances where, following inspection, further action was required from the landlord in order for the HMO licence to be granted. Although confirmation that the licence could now be granted was provided, evidence that the issues identified following inspection had been remedied was not retained within the files as expected.

3.5 A variety of methods are available for members of the public to report unlicensed landlords and HMO owners. Although contact details are available on the GCC website, there is no specific guidance on how to report unlicensed landlords, although there is for unlicensed HMO properties.

3.6 The unit maintains a log of reported unregistered landlords which are then investigated by caseworkers. Unlicensed landlords can be prevented from collecting rental income via a Rent Penalty Notice. If no rent is payable, the tenant will cease

to be entitled to housing benefit. We selected a sample of 10 cases for review. In 3 of these cases there was no recorded confirmation that the investigator had conducted the expected housing benefit checks.

3.7 A process is in place for allocating Landlord complaints to caseworkers for investigation. We reviewed a sample of 10 complaints and were able to verify appropriate action had been taken for 5 of them. Although the remaining 5 were allocated to caseworkers there was no record of any action taken.

3.8 An action plan is provided at section four outlining our observations, risks and recommendations. We have made five recommendations and noted one opportunity for improvement. The priority of the recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	5
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and / or efficiencies have been identified.	1

3.9 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.10 We would like to thank officers involved in this audit for their cooperation and assistance.

3.11 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

## 4 Action Plan

No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> Procedures are available to staff.				
1	<p>Procedural documentation should be in place, up to date and available to staff.</p> <p>At the time of the audit procedural documentation could not be located and we were unable to verify that procedures were in place or that they were up to date and reflected current processes for the handling of Private Landlords and HMO cases.</p> <p>Without suitable procedures in place to direct staff there is an increased risk that staff do not follow the current processes.</p>	Management must ensure that procedures which reflect current procedures are available to staff and reviewed on a regular basis.	Medium	<p><b>Response:</b></p> <p>Action Agreed. Procedures will be updated/written and issued to staff. Review schedule will be put in place.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>Principal Officer</p> <p><b>Timescales for Implementation:</b></p> <p>30 April 2024</p>
No.	Observation and Risk	Recommendation	Priority	Management Response
<b>Key Control:</b> Appropriate audit trails are maintained.				
2	<p>As part of the process for HMO licencing, properties are subject to inspection in order to determine if they meet the required safety standards. A memo to committee is produced noting the outcome of the inspection including any additional work required, and this supports the Licencing Committee in their decision making.</p>	Management must ensure that following inspections the memo to committee is retained within the locally held records.	Medium	<p><b>Response:</b></p> <p>The memos were retained however they were not found at the time of the audit. Evidence will be available going forward to meet audit recommendations.</p> <p><b>Officer Responsible for Implementation:</b></p>

No.	Observation and Risk	Recommendation	Priority	Management Response
	<p>A review of record keeping for HMO inspections showed that from a sample of 10 applications we identified 2 cases where the memo to committee was not retained within locally held records as expected.</p> <p>Without complete and accurate records there is an increased risk that management are unable to demonstrate the outcome of inspections or follow up cases where additional action is required.</p>			<p>Principal Officer and Senior Investigation &amp; Enforcement Officer</p> <p><b>Timescales for Implementation:</b></p> <p>15 April 2024</p>
3	<p>We reviewed a sample of 20 HMO properties to verify that they had been subject to an inspection within the last 3 years. We identified 3 instances where, following inspection, further action was required from the landlord in order for the HMO licence to be granted.</p> <p>Although confirmation that the licence could now be granted was provided, evidence to confirm that the issues identified following inspection had been remedied was not retained within the files as expected.</p> <p>There is therefore an increased risk that known issues with HMO properties are not adequately resolved.</p>	Management must ensure that confirmation of the resolution of any issues highlighted during inspections are retained within the locally held records.	Medium	<p><b>Response:</b></p> <p>Action agreed. Procedure for recording this information to be introduced issued to staff.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>Principal Officer and Senior Investigation &amp; Enforcement Officer</p> <p><b>Timescales for Implementation:</b></p> <p>15 April 2024</p>

No.	Observation and Risk	Recommendation	Priority	Management Response
4	<p>A variety of methods are available to report unregistered landlords to the council. If found to be an unregistered landlord, a Rent Penalty Notice can be applied to suspend rental income.</p> <p>The unit maintains a log of reports which are then investigated by caseworkers. We selected a sample of 10 cases, and for 3 of the samples there was no recorded confirmation that the investigator had conducted the expected housing benefit / council tax checks.</p> <p>If the expected checks are not carried out there is an increased risk that unregistered landlords could continue to receive rental income.</p>	Management should ensure that confirmation of checks carried out is recorded.	Medium	<p><b>Response:</b></p> <p>Agreed. Checklist will be introduced to ensure staff are aware of and record checks they have undertaken and the outcome.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>Principal Officer</p> <p><b>Timescales for Implementation:</b></p> <p>30 April 2024</p>
5	<p>A process is in place for allocating complaints against private landlords to caseworkers for further investigation.</p> <p>We reviewed a sample of 10 complaints, and we were able to verify appropriate action had been taken for 5 of them. The remaining 5 complaints were allocated to caseworkers, however, there was no record of any action taken.</p> <p>Without a clear audit trail, there is an increased risk that complaints against</p>	Management must ensure that the outcomes of investigations against landlords are retained within local records.	Medium	<p><b>Response:</b></p> <p>Action agreed. Procedures to be put in place and staff briefed on them. Checklist and running log will assist staff in recording investigations and outcomes.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>Principal Officer</p> <p><b>Timescales for Implementation:</b></p>

No.	Observation and Risk	Recommendation	Priority	Management Response
	private landlords are not appropriately investigated.			30 April 2024

No.	Observation and Findings	Service Improvement	Management Response
6	A variety of methods are available for members of the public to report unlicensed landlords and HMO owners. Although contact details are available on the GCC website, there is no specific guidance on how to report unlicensed landlords.	Management should consider adding guidance on reporting unlicensed landlords to the GCC website.	<p><b>Response:</b></p> <p>Action agreed. GCC Website to be reviewed and relevant information added to confirm how to report unlicensed HMO Landlords and properties.</p> <p><b>Officer Responsible for Implementation:</b></p> <p>Principal Officer and Senior Investigation &amp; Enforcement Officer</p> <p><b>Timescales for Implementation:</b></p> <p>15 April 2024</p>