M MAZARS

CROYDON

Final Internal Audit Report
Voids
May 2018

Distribution:

Executive Director of Place (Final only)

Director of District Centres and Regeneration

Head of Responsive Repairs

Head of Planned Maintenance & Improvements

Head of Service Development

Void Manager

Performance and Information Officer

Assurance Level	Recommendations Made	
	Priority 1	0
Substantial assurance	Priority 2	3
	Priority 3	1

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1. Introduction

1.1 Voids are unoccupied properties, which often require repairs before being ready for let to new occupants. The Council's objective is to be able to meet its target average turnaround periods for both completing repairs and the reallocation of void properties. This is to help ensure that homeless residents who apply for temporary accommodation can be housed as soon as possible. In addition, to minimise the lost rent income to the Council whilst the property is un-occupied.

1.2 In the last two years, Croydon Council's void turnaround period increased from 26 days in 2015/16 to 29 days in 2016/17. In the Council's Housing Solutions Service Plan 2017-2020, the Council details its aim; which is to reduce its void turn around period to 20 days by 2018 and to 10 days by 2020.

1.3 The current target for the whole voids turnaround period for 2017/18 is 20 working days from the day the keys are handed in until the day that the void is let to the new occupant. For 2016/17 this was a target of 22 days.

1.4 Although the audit has identified that the void turnaround target has not been met, the Service has already identified this issue and is putting actions in place to try and resolve this.

1.5 This audit is being undertaken as part of the agreed Internal Audit plan for 2017/2018.

2. Key Issues

Priority 2 Issues

The policies and procedures were not up-to-date, **(Issue 1)**

Sample testing identified an instance where the property became a lettable void but had not been reallocated at the time of audit, although the turnaround period of 20 days had been exceeded and no explanations for this delay had been recorded on OHMS, **(Issue 2).**

The void turnaround figures for April 2017 identified that the average void turnaround for the year to date was 28.7 days, **(Issue 3).**

The Priority 3 issue is included under item 4 below.

3. Actions and Key Findings/Rationale

<u>Control Area 1: Regulatory, Organisational, and Management Requirements</u>

Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 1
2	Current policies and procedures have been discussed at the strategic voids projects group (collaborative group of heads of service/ managers across all teams responsible for the voids process) and examples of best practice from other authorities have also been reviewed. This work is ongoing and the Voids policies and procedures will be reviewed and updated as necessary.	Policies and procedures, which are reviewed and updated on a regular basis, help to ensure that Council staff are working to the most up to date and agreed methodology. This assists to ensure all required information is obtained and retained in addition to ensuring compliance with legislative requirements.

Examination of the voids policies and procedures; the lettings procedure and the voids process flowcharts identified that these have not been updated in the past two years. The voids procedure note was last revised in October 2000, and the process flowchart was last revised in March 2014.

Where policies and procedures are not routinely reviewed and subsequently updated as necessary, there is a risk that staff are working to out of date procedures, which can lead to inconsistencies and inefficiencies within the team. |

Responsible officer	Deadline
Head of Service Development	May 2018

Control Area 5: Reallocation of Voids

Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 2
2	In addition to the strategic voids projects group, management has also set up an operational voids managers group consisting of managers across all teams responsible for the voids process. This group will meet monthly to drill down all current voids going forward to identify blockages, agree actions and set up specific task and finish groups to improve turnaround. This group will also review the information recorded on OHMS to ensure all voids records are kept up to date. Representatives from both groups will visit high performing authorities (with turnaround of under 10 days) to learn from best practice.	The Council aims to turnaround void properties in a timely manner to enable these to be ready for let and for people to be housed more efficiently. The target turnaround period for the allocation of properties from the date the property became void until occupied was 22 days for 2016/17 and is 20 days for 2017/18. Examination of 10 Void properties, from a total of 443 properties covering the period December 2016 to June 2017, identified that in one instance the property became a lettable void on 2nd June 2017 but had not been reallocated within the turnaround period of 20 days at the time of the audit testing (July 2017). No explanations for this delay had been recorded on OHMS. Where voids are not reallocated in a timely manner and the reasons for delay recorded, there is a risk that the Council loses potential revenue from the property being unoccupied. In addition a lack of information can result in lessons not being learned.

Responsible officer	Deadline
Head of Service Development	May 2018

Control Area 7: Management Reporting

Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 3
2	KPIs on void performance are shown in variety of ways: - Average turnaround general needs - Average turnaround general needs and sheltered accommodation - Average calendar days responsive repairs - Average calendar days including major works The 20 day target is ambitious but management is committed to achieving this overall target by the end of the financial year. Recent monthly void turnaround figures for general needs achieved 22 days in both May and Jul, when numbers of voids were high – 72 (May) and 89 (Jul). As the figures are based on average turnaround, the numbers of lets per month has an impact on the overall performance figures and should be taken into account. Turnaround of our special sheltered voids are much longer than our general needs voids and contributed on average a further 6 days to the void turnaround figure. Consideration should be given to agree a more realistic target for special sheltered which better reflects the complexities involved in letting these supported housing properties.	Once a property has been made void (i.e. from the date the keys are handed in), the Council has a 20 day target to move in a new tenant. The 20 day target was set for the 2017/18 financial year which is down two days from the 22 days for the 2016/17 financial year. Examination of the most recent void turnaround figures for April 2017 identified that the average void turnaround for the year to date was 28.7 days. Discussion with the Head of Service Development identified that this average included 'special sheltered voids', which take longer to prepare for let and have contributed to the void turnaround average being higher. However, excluding the figures for 'special sheltered voids', the year to date figure is 23.8 days and therefore the target is still not being achieved. Examination of a sample of 10 properties from a total of 443 properties that were made void during the period December 2016 to June 2017 identified that: - One property which was with Planned Maintenance at the time of audit, had passed the 35 day turnaround period for major works; and - Three properties had void turnaround periods which exceed the 11 days target for responsive repairs. While explanations were provided for each of the above delays, (including asbestos, failed post inspections, missing safe keys etc.) these contribute to the overall 20 day target being met. Although this is a significant issue, the Service has already identified this and are taking actions to try and improve the void turnaround time, including: - On a monthly basis hold meetings with managers to discuss the voids turnaround KPIs and discuss where any delays are likely to be.

However it also needs to be noted that, whilst we can remove special sheltered accommodation re-let times from our average turnaround for internal reporting, they are still part of our council housing stock and therefore need to be included in external reporting e.g. LAHS and HouseMark. The operational voids managers project group will – - Drill down on reasons for void delays and identify solutions to speed up overall performance e.g. suitable 1 bed offers for TA - Update current housing ICT system – work with Northgate to see what information reports can be obtained from current system, build in functional spec for re-procurement of ICT – longer term solution for 2019/20 - This will also enable us to review mid-week sign ups which will improve turnaround overall by several days - Benchmark with Housemark high quartile performing authorities - Review impact of new CBL system	• Practice a more stringent approach with occupants moving in. • Upgrade the current housing system – OHMs to enable occupants to move into properties mid-week instead of only on Mondays, which could reduce the void turnaround period for some properties up to a maximum of four days. • Improve the new 'choice based lettings service' which was introduced for the 2017/18 financial year. This should result in only those persons eligible to bid for properties bidding and help speed up the voids turnaround process. • Report the 'Special Sheltered Housing' void turnaround statistics separately to the general needs void turnaround statistics. (It was explained that sheltered housing is also dependent on Adult Social Care and their ability to assess individuals.) Should the void turnaround time not improve significantly, this may be deemed to be a significant issue going forward. Where the turnaround target for occupying voids properties is not achieved, there is an increased risk that the Council doesn't maximise its revenue in addition to potential homeless persons not being re-housed as efficiently as possible.

Responsible officer	Deadline
Head of Service Development	Voids Managers Project Group Action plan in place by 16 Nov 17

Voids 2017/18

4.   Priority 3 Recommendation

Action Proposed by Management	Findings
a) Management have completed an audit of NTTs in current use and instructed officers to remove old forms. b) All staff have been reminded to use the new NTT c) NTT forms will be reviewed and checked as part of the operational voids managers project.	Using a consistent, up-to-date 'Notice To Terminate' forms (NTT) helps to ensure that the Council can receive all necessary information from each tenant in order to terminate their tenancy. Examination of the documentation retained for a sample of 10 void properties identified that there were at least four different versions of NTT forms being used. One form was dated October 2010, five were dated September 2012, two were dated September 2016 and two had unknown dates. Furthermore, while all 10 properties had completed NTT forms, three had been incorrectly completed: - Two properties had officer details omitted; and - One property did not have the utility provider detailed. Where inconsistent and incomplete NTT forms are used, there is a risk that not all required details are provided and that inefficiencies occur where additional work is required to determine these missing details.

TERMS OF REFERENCE

Voids

1. INTRODUCTION

1.1 The London Borough of Croydon owns and manages 13,660 properties in the Borough.

1.2 Properties become "void" when tenant/s move out. The Council's objective is to minimise void loss by promptly letting properties whilst continuing to implement its clean and safe ambition (detailed in the Council's Corporate Plan). This provides for essential works only to be completed while the property is void and for any additional works to be completed shortly after occupation.

1.3 In the last two years, Croydon Council's void turnaround period increased by 12.5% from 25.787 days in 2015/16 to 29 days in 2016/17. In the Council's Housing Solutions Service Plan 2017-2020, the Council details its aim to reduce void turn around period to 20 days by 2018 and to 10 days by 2020.

1.4 As part of the agreed 2017/18 Internal Audit Plan, an internal audit of voids was identified to be undertaken.

2. OBJECTIVES AND METHOD

2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.

2.2 The audit will for each controls / process being considered:

- Walkthrough the processes to consider the key controls;
- Conduct sample testing of the identified key controls, and
- Report on these accordingly.

3. SCOPE

3.1 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management requirements	0	1	0
Identification of Voids	0	0	1
Logging Voids	0	0	0
Assessment of Completed Works	0	0	0

Reallocation of Voids	0	1	0
Monitoring	0	0	0
Management Reporting	0	1	0
Total	**0**	**3**	**1**

DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

🟢	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
🟡	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
🟠	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
🔴	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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