



# Dacorum Borough Council

## Final Internal Audit Report

### Empty Properties

March 2018

This report has been prepared on the basis of the limitations set out on page 10.

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**Key Dates:**

Date of fieldwork:	December 2017
Date of draft report:	February 2018
Receipt of responses:	February 2018
Date of final report:	March 2018

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# 1. Executive Summary

## 1.1. Background

As part of the Internal Audit Plan for 2017/18, we completed a risk based audit of the processes in place for Empty Properties.

The Empty Homes process was examined across the three teams responsible for its implementation: Tenants & Leaseholders, Empty Homes and Lettings. In addition, twenty General Needs and Sheltered properties made void and re-let between April 2017 and November 2017 were selected to test the effectiveness of the controls in place. The following properties were tested:

- 38 Lomond Road;
- 102 Hollybush Lane;
- 2 Chiltern Close;
- 2 Longbridge Close;
- 65 Townsend;
- 22 Edlyn Close;
- 81 Downside;
- 100 Eight Acres;
- 30 Livingstone Walk;
- 10 Upper Barn;
- 21 Nidderdale;
- 13 Fouracres Walk;
- 217 Longlands;
- 93 Wharfedale;
- 52 Allandale;
- 92 Gadebridge Road;
- 16 Hammer Lane;
- 343 St. Albans Road;
- 21 Betty Patterson House; and
- 28 Emma Rothchild Court.

An additional fifteen properties, which were identified as having the highest void times over the April 2017 to November 2017 period, were selected for further testing, aimed at establishing the stages within the Empty Homes process where delays were occurring and the reasons for any delays. The following properties were tested:

- 2 Emma Rothchild Court;
- 12 Belsize Court;
- 20 Compass Point;
- 32 Evelyn Sharp House;
- 19 Holly Tree Court;
- 308 Elizabeth House;

- 53 Fennycroft Road;
- 6 Two Beeches;
- 29 Betty Patterson House;
- 204 Elizabeth House;
- 17 Eight Acres;
- 89 Bathurst Road;
- 2 Bennettsgate;
- 11 Evelyn Sharp House; and
- 30 Two Beeches.

**1.2. Audit Objective and Scope**

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Empty Properties, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: policies and procedures, termination of tenancy/key drop-off, coordinating checks and works on empty properties and the tenant sign up process.

**Summary Assessment**

Our audit of the Council’s internal controls operating over Empty Properties found there is a sound system of internal control designed to achieve the system objectives. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Empty Properties is shown in Section 3.

**1.3. Key Findings**

We have raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This is set out below:

- Policies and Procedures – Procedure for updating Orchard (Priority 2)

The audit noted that work is underway by the Compliance Team to review fire safety information given to Council tenants. We shared best-practice information, in the form of a leaflet produced by Nottingham Community Housing Association following the Grenfell Tower fire, to assist with

the review. This should act as guidance in respect of safety information provided to tenants and the way in which it could be presented so as to maximise its accessibility.

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.4. **Management Response**

We received the management response in a timely manner, and this has been included in the main body of the report.

1.5. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

## 2. Scope of Assignment

### 2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Empty Properties, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

### 2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- identification of control weaknesses and potential process improvement opportunities;
- discussion of our findings with management and further development of our recommendations; and
- preparation and agreement of a draft report with the process owner.

### 2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

#### **Policies and Procedures**

Policies and procedures are in place to minimise the risk of staff non-compliance with legislative and management requirements and ensure that the handling of empty properties from termination notice/key drop off through to commencement of new tenancy are undertaken in an effective and efficient manner.

Communication and interactions amongst all relevant teams (Tenants & Leaseholders, Property & Place, and Strategic Housing) are carried out in an efficient and effective manner.

#### **Termination of tenancy/Key drop off**

As soon as the Tenants and Leaseholders become aware of a void property, this is communicated promptly to the relevant officers so that the Empty Properties team are able to instigate required checks and works to be carried out on the property.

#### **Coordinating checks and works on empty properties**

Any amounts to be recovered from the previous tenants are established and charged accordingly in a complete, accurate and timely manner.

Any issues that need to be resolved to bring the property to a lettable standard are established and required checks and works are undertaken in a complete, accurate and timely manner.

Expected dates of when the property will be 'lettable' are communicated accurately and promptly to Strategic Housing so that the tenants are signed up and a tenancy commences as soon as the property becomes 'lettable'.

#### **Tenant sign-up process**

A tenant who has been matched to the property and accepted the offer is signed up to a tenancy agreement promptly and the tenancy commences as soon as it is practically possible.

Tenants are provided with up to date and adequate information in respect of safety in the property and their responsibilities as a tenant.

### 3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies and Procedures			
Termination of tenancy/Key drop off			
Coordinating checks and works on empty properties			<b>Recommendation 1</b>
Tenant sign-up process			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

## 4. Observations and Recommendations

### Recommendation 1: Procedure for updating Orchard (Priority 2)

<p><b>Recommendation</b></p> <p>The Lettings and Empty Homes teams should review the procedure for updating the status of properties on Orchard. They should consider whether or not it is necessary to update Orchard within 24 hours of the void process being completed. The focus should be to ensure that all stages are recorded correctly on the spreadsheets used by Lettings and Empty Homes officers and actioned in a timely manner.</p> <p>Lettings officers should ensure that entries in Orchard match the information in monitoring spreadsheets and emails. There should be a process for checking and authorising information entered into Orchard with appropriate segregation of duties. This could include spot checks by management to ensure that Orchard is updated accurately with all the required details of void events.</p>
<p><b>Observation</b></p> <p>The current process requires Orchard to be updated within 24 hours of each stage of the void process being completed. Whilst void status is recorded and monitored by both the Empty Homes and Lettings teams, Orchard is not always updated.</p> <p>From the sample of 20 Orchard entries for void properties, all 20 have been completed for the stages of the process for which the Empty Homes team is responsible. The dates for all 20 Empty Homes entries match those on the emails received by the Empty Homes mailbox and on the Repairs Monitoring spreadsheets.</p> <p>For the same sample of 20 Orchard entries, 19 were re-let by Lettings and one was a decant property. Of the 19 entries, all the stages for which the Lettings team is responsible were completed for 16. For two entries, tenant sign-up and Commencement of Tenancy were logged but the other stages were not. The remaining entry was for a property which went to second offer. However, this was not recorded. Additionally, the dates for five out of the 19 entries did not match those on emails or Property Status spreadsheets maintained by Lettings officers, for at least one stage of the process.</p> <p>The Council has a target turnaround time for void General Needs properties of 30 days. This is measured within Orchard as a KPI. The average turnaround time for General Needs and Sheltered properties re-let since April is 35.4 days. The target is to reduce turnaround times to 25 days. Whilst Orchard is used to monitor KPIs, the internal audit found that it is not used in the day-to-day tracking of the Empty Homes process. Therefore, information not entered into Orchard within the 24 hour period, does not impact upon the void time of the property.</p> <p>Where duplicate records are kept to track the status of void properties, there is a risk that resources are used inefficiently, increasing the amount of time it takes to enter a void event. This could lead to longer void times. Where data entered onto Orchard is not checked for accuracy and completeness, there is a risk that the input error may remain undetected and that the void time measured on the KPI system is incorrect. This could lead to inflated re-let times which do not reflect the true performance of the Empty Homes process.</p>
<p><b>Responsibility</b></p> <p>Pre-Tenancy Team Leader</p>

**Management response / deadline**

The Team Leader is currently undertaking a review of properties sampled within the audit, to determine where improvements can be made to compliance with existing procedures. This review of properties will enable the Team Leader to determine if training is required across the team, or if a targeted approach is required with specific team members. The Leader Officer and Team Leader will adopt regular checks as part of work stream and 1-1 reviews to ensure that Orchard is being updated appropriately. These reviews will also incorporate a quality check of the information submitted to ensure that it matches other data held. The Pre-Tenancy Team Leader in liaison with Empty Homes Team will seek to establish a process for checking and authorising information entered into Orchard with appropriate segregation of duties.

Deadline for completion June 2018.

## Appendix A - Reporting Definitions

### Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
<b>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited</b>		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
<b>Nil</b>		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

### 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
<b>Priority 1</b>	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
<b>System Improvement Opportunity</b>	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## Appendix B - Staff Interviewed

The following personnel were consulted:

- Fiona Williamson – Group Manager Property & Place
- Tracy Vause – Pre-Tenancy Team Leader
- Lesley Jugoo - Empty Homes Lead Officer
- Laura Brennan - Pre-Tenancy Lead Officer
- Gill Swift – Housing Needs Officer
- Jackie Whitefoot – Recharge Officer
- Ryan Glanville – Tenants & Leaseholders Team Leader

We would like to thank the staff involved for their co-operation during the audit.

## Statement of Responsibility

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

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

#### **London**

#### **March 2018**

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