



Final Internal Audit Report

Goulden House Co-op

September 2021

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Auditor: Audrey Thomas

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Report Status: Final

Overall Assurance: Limited Assurance

**Number of Agreed
Actions:**

P1	1
P2	8
P3	2

INDEX

<u>Section</u>	<u>Page</u>
1. Executive Summary	3
2. Assurance by Risk Area	4
Appendix A – Management Action Plan	5
Appendix B - Definitions of Assurance and Agreed Action Priorities	15

1. EXECUTIVE SUMMARY

Introduction

- 1.1 This report sets out the findings and agreed actions for an audit of controls and procedures in place for Goulden House Co-op.
- 1.2 Co-op schemes, Resident Management Organisations (RMOs) or Tenant Management Organisations (TMOs) allow tenants and leaseholders more control over their immediate living environments through collective endeavours. Section 27 of the 1985 Housing Act contains a general power for a local authority, with consent of the Secretary of State for the Environment, to agree that another person shall exercise as an agent for the authority such management functions as specified.
- 1.3 The Co-op entered into a legal contract, Modular Management Agreement (MMA), by which the local authority delegates specified management responsibilities to the Co-op. The Agreement is in a 'pick and mix' format enabling the Co-op to select the functions and levels of responsibility to fit their aspirations.
- 1.4 Goulden House Co-op took over the housing management functions for residents in 1992. In total, there are 269 residential units of which 228 are leasehold properties and 41 are tenanted properties. There are no freehold properties.
- 1.5 The focus of the audit was to determine whether the systems and controls provide management with a satisfactory level of internal control to ensure compliance with statutory requirements, internal policies and procedures, the achievement of stated objectives and as far as possible, the completeness and accuracy of records.
- 1.6 The audit programme was changed for 20/21 onwards to ensure it covered those areas that were considered high risk to the Council.
- 1.7 We would like to take this opportunity to thank management and staff for their assistance during the audit.

Overall Audit Opinion

- 1.8 Based on the work performed during this audit, we can provide overall **Limited Assurance** which means that there are significant weaknesses in key control areas, which put the system objectives at risk.
- 1.9 The audit identified a number of issues which increase the risk of the Co-op's operations and governance not being efficiently and effectively managed. The most significant point arising from the audit was relating to non-compliance with Health and Safety.

Summary of Agreed Actions

- 1.10 We have identified 11 issues that require action to address weaknesses in the system of control, one of which is classified as 'Priority 1', eight classified as 'Priority 2' and two classified as 'Priority 3' to strengthen the internal controls, management and audit trail.
- 1.11 Please see Management Action Plan at Appendix A for further details.

2. ASSURANCE BY RISK AREA

2.1 Our specific objectives in undertaking this work, as per the Audit Brief, were to provide the Council with assurance on the adequacy and effectiveness of internal controls, processes and records in place to mitigate risks in the following areas:

Risk Area	Opinion	P1	P2	P3
Repairs & Maintenance	Substantial Assurance	0	3	0
Financial Management	Substantial Assurance	0	2	0
Performance Management	Substantial Assurance	0	0	1
Rent and Service Charges	N/A – Manged by Wandsworth Council	0	0	0
Human Resources	Full Assurance	0	0	0
Governance	Substantial Assurance	0	3	1
Health & Safety	Limited Assurance	1	0	0
Information Security	Full Assurance	0	0	0
Tenancies	Full Assurance	0	0	0

Overall	Limited Assurance
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2.2 See definitions for the above assurance levels at Appendix B. (NB full assurance is based only on the sample tested and does not guarantee that there are no instances of control failure within a system that we have looked at).

No.	Finding / Associated Risk	Priority	Management Actions	Target Date
1	<p><u>Repairs and Maintenance</u></p> <p>Approved Contractors List A contractors list should be regularly monitored to ensure performance is adequate and annual checks made to ensure that insurances and relevant certificates are up to date. Failure to comply will result in suspension or removal from the list.</p> <p>It is acknowledged that an approved contractors list is in place, however, approval by the Chair was documented on the 15/07/2021 during the audit. Furthermore, there was no evidence that performance was reviewed annually and the approval was presented to the Management Committee.</p> <p>Risk/Implication Where contractors on an approved list are not regularly reviewed, it increases the risk of continuing to use contractors that are not performing satisfactorily.</p>	2	<p>Responsible Officer: Estate Manager</p> <p>Action/s The contractors list will now be approved at the time of the budget approval in November.</p> <p>At the same time each year, the Management Committee should review contractors' performance and approve them remaining/being removed from the contractors list.</p>	<p>Management to insert target date</p> <p>30/09/2021</p>
2	<p>Contracts In order to ensure that contractors can be held accountable, a signed contract with start and end dates together with the terms and conditions, performance standards etc should be in place.</p> <p>It is acknowledged that the Co-op has</p>	2	<p>Responsible Officer: Estate Manager</p> <p>Action/s Earthgardens contract was rolled over due to the pandemic. When the contract ends in May 2022, it will go out to re-tender.</p>	<p>Management to insert target date</p> <p>30/06/2022</p>

No.	Finding / Associated Risk	Priority	Management Actions	Target Date
	<p>two contracts in place with Earthgardens and Star Cleaning Services. Examining both contracts identified Star Cleaning Services did not include a termination date, performance targets, quality standards, penalties for non/poor performance, insurance requirements and compliance with statutory requirements (if applicable). Earthgardens (one year rolling contract) did not include penalties for non/poor performance, insurance requirements and compliance with statutory requirements (if applicable).</p> <p>Risk/Implication Where a contract is run in perpetuity there is a risk of not achieving value for money by not regularly retendering and breaching EU limits. There are also risks of not being able to enforce targets, standards, insurance and performance.</p>		<p>Going forward all contracts will be re-tendered bi-annually.</p> <p>In addition, performance targets, quality standards, penalties for non/poor performance, insurance requirements and compliance with statutory requirements should be included in all contracts.</p>	
3	<p>Repairs Performance The Council, in conjunction with resident representatives, has set the priority that should be allocated to each type of repair, giving a number of days within which jobs should be completed. These are set out in the Housing Service Standards that Co-ops are expected to meet as a minimum. Emergency repairs within 24 hours and urgent repairs within 7 working days.</p>	2	<p>Responsible Officer: Estate Manager</p> <p>Action/s On completion of the audit the Co-op have found that they are able to add comments to the Signable system and at a minimum will now include when the repair was completed, who post-inspected it and the date it was post-inspected.</p>	<p>Management to insert target date 30/09/2021</p>

No.	Finding / Associated Risk	Priority	Management Actions	Target Date
	<p>Examination of ten repairs (five to be completed within 24 hours and five to be completed within seven days) identified four repairs were not recorded as completed within their timeframes (works orders 2172, 2194, 2195 and 2239 respectively). Furthermore, the Auditor was unable to confirm whether work order 2220 was completed or not.</p> <p>Discussions with the Estate Manager confirmed all repairs were completed within their timeframes however the system used (Signable) did not allow them to record completion dates and the Co-op is paperless.</p> <p>Risk/Implication Where completion dates are not recorded, the Co-op cannot accurately monitor the performance of its contractors. Furthermore, repairs not completed within specified timescales could cause injury/poor living conditions to residents.</p>			
4	<p><u>Financial Management</u></p> <p>Procurement Policy</p> <p>The Procurement Policy governs the Co-op rules around finances which should include procedure/process pertaining to methods of payment, cheque signatories banking, income, expenses, petty cash,</p>	2	<p>Responsible Officer: Estate Manager</p> <p>Action/s Remove the previous finance contractor details from the Procurement Policy and include other finance procedures that cover all financial processes.</p>	<p>Management to insert target date</p> <p>October 2021</p>

No.	Finding / Associated Risk	Priority	Management Actions	Target Date
	<p>payroll, threshold limits, quote/tender requirements (non-repairs) etc. The flow chart focuses on areas around procurement and authorisation.</p> <p>Examination of the Procurement Policy identified that it refers to the previous finance contractor (initials JW) and does not mention quote/tender requirements. It is acknowledged that quotes/tenders are documented in the Procedure for Logging and Issuing Repairs, but it should also be covered in the Procurement Policy. Furthermore, the policy was also not versioned controlled.</p> <p>We have not been provided with evidence that other finance related procedures exist (i.e. ordering, goods receipting, payments, expenses, banking etc).</p> <p>Risk/Implication Where financial processes are not documented in one place staff will not be able to access key information promptly.</p>			
5	<p>Bank Reconciliation Regular bank account reconciliations help ensure that errors and anomalies are identified in a timely manner. To help ensure the reconciliation process is robust and effective, reports used to reconcile transactions need to include all the necessary information and be signed</p>	2	<p>Responsible Officer: Estate Manager</p> <p>Action/s Bank reconciliations now clearly identify the preparer and independent checker.</p>	<p>Management to insert target date 30/09/2021</p>

No.	Finding / Associated Risk	Priority	Management Actions	Target Date
	<p>and dated by the preparer and an independent officer.</p> <p>Examination of March, April and May 2021 bank reconciliations identified they were not signed and dated by the preparer and checker. Discussions with the Finance Officer confirmed all bank reconciliations are sent together with the Management Report and reviewed by the Management Committee and Sub-Finance Committee.</p> <p><i>A similar recommendation was also raised in 2019/20 audit.</i></p> <p>Risk/Implication Where there is no evidence that bank reconciliations have been signed by the preparer and checked by another independent officer, there is an increased risk of inappropriate transactions or anomalies not being identified.</p>		<p>Estate Manager can confirm that all bank reconciliations are sent together with the Management Report and reviewed by the Sub-Finance Committee. The Treasurer will ensure that the Bank Reconciliation, after review by the Sub-Finance Committee are both signed and dated on a monthly basis.</p>	
6	<p><u>Performance Management</u></p> <p>Annual Performance Report Within three months of the end of the Financial Year the Co-op will produce a Performance Report and send it to the Council. It is good practice for the Co-op to also make available their performance against key performance indicators to every tenant and leaseholder.</p>	3	<p>Responsible Officer: Estate Manager</p> <p>Action/s Annual performance report will now be included in one of the quarterly Managers Report.</p> <p>Goulden House Co-Operative Ltd are robust in their transparency and full disclosure to our residents, this</p>	<p>Management to insert target date</p> <p>December 2021.</p>

No.	Finding / Associated Risk	Priority	Management Actions	Target Date
	<p>Discussions with the Estate Manager established that an annual newsletter is not produced however a Management Report is produced for residents and the Council prior to General Meetings which can be collected from the Estate office, published on the Co-op website and handed out at meetings.</p> <p>Risk/Implication Where performance is not presented to residents and/or interested parties the Co-op may be unable to demonstrate transparency.</p>		<p>is achieved, firstly, via Friday Weekly Updates to the Goulden House Management Committee. Residents are provided with detailed Manager's Reports at General Meetings where the site has seen a large increase in the number of residents who now attend these meetings because so much information is provided to them. WBC Auditor has acknowledged the extent of information we have on the GH Website.</p> <p>Estate Manager can confirm that an Annual performance report will now be included in one of the quarterly Managers Reports.</p>	
7	<p><u>Governance</u></p> <p>Declaration of Interests (DOI) At all meetings, committee members must have the opportunity to declare any interests so there is no potential conflict with the Co-op's interests. To ensure that declarations regarding conflicts of interest remain up to date, Committee members and staff should annually complete a new declaration.</p> <p>Examination of Agendas and General Meetings minutes held on the 19/11/2019, 18/02/2020, 08/12/2020 and 16/03/2021 identified DOIs were not recorded.</p> <p>Furthermore, it was also identified that the Estate Manager and Finance Officer</p>	2	<p>Responsible Officer: Estate Manager</p> <p>Action/s Committee Members will complete their Declaration of Interests and Confidentiality Agreements after the Annual General Meeting (AGM) elections and the Estate Manager and Finance Officer will complete theirs at the following Management Committee meeting after AGM.</p> <p>In addition, Declaration of Interests should be a standing agenda item at all meetings and results are recorded in minutes.</p> <p>Estate Manager can confirm that Declaration of Interests will be a standing agenda item at all meetings and results will be recorded in the minutes.</p> <p>Estate Manager can confirm that Committee Members will complete their Declaration of Interests and</p>	<p>Management to insert target date</p> <p>30/09/2021</p>

No.	Finding / Associated Risk	Priority	Management Actions	Target Date
	<p>DOI's were signed after the request was made by the Auditor.</p> <p>Examination of Committee Members DOI's records identified the following: - Initials RG and MK- DOI's not on file Initials DT – DOI not completed</p> <p><i>A similar recommendation was also raised in 2019/20 audit.</i></p> <p>Risk/Implication Where opportunities to declare interests are not provided and/or the outcome is not documented in minutes, there is a risk that the Co-op may be unable to demonstrate transparency in its decision-making processes. Where annual DOIs are not required, any changes in a Committee Member's interests may go undisclosed.</p>		<p>Confidentiality Agreements after the Annual General Meeting (AGM) elections and the Estate Manager and Finance Officer will complete theirs at the following Management Committee meeting after AGM.</p>	
8	<p>Policies Policies and procedures that govern the Co-op should be reviewed regularly to ensure appropriateness. The Co-op should publish a Code of Governance, which will have regard to the Code of Governance for Tenant Management Organisations published by the Office of the Deputy Prime Minister.</p> <p>Examination of the Code of Conduct, and Data Protection Policy identified they were not version controlled.</p>	2	<p>Responsible Officer: Estate Manager</p> <p>Action/s The Code of Conduct and Data Protection Policy will be updated with version controls.</p> <p>The Data Protection policy will be reviewed to include GDPR compliance and then forwarded to the Management Committee for approval.</p>	<p>Management to insert target date</p> <p>31/12/2021</p>

No.	Finding / Associated Risk	Priority	Management Actions	Target Date
	<p>Furthermore, it was identified that the Data Protection policy refers to the 1998 Act which was superseded by the 2018 Act which incorporates the GDPR regulations.</p> <p>The Co-op did not have a Code of Governance.</p> <p>Risk/Implication Where policies are not routinely reviewed, updated and version controlled, it increases the risk of Committee Members and Staff working to outdated and impractical practices.</p>		<p>An example of a Code of Governance has been sent to the Chair of the Management Committee and Co-op Secretary to review. If agreed, it will be adopted at the next Management Committee meeting.</p> <p>Estate Manager can confirm that the next Management Committee Meeting takes place on Wednesday 8th September where the Code of Conduct will be reviewed, and version controlled. The Code of Governance will also be reviewed and if agreed, will be adopted and version controlled.</p> <p>The Data Protection policy will be reviewed to include GDPR compliance and then forwarded to the Management Committee for approval.</p>	
9	<p>Risk Register Risk management arrangements should be in place to ensure that the Co-op has controls in place to mitigate against the key risks it faces. These arrangements should be periodically reviewed to ensure they are adequate and any new risks added.</p> <p>It is acknowledged that there were various documents that included risks however, there was not one document that recorded all risks. It is recognised that one is now in place.</p> <p>Risk/Implication Where a risk registrar is not in place and/or periodically reviewed, it increases the risk of failing to identify and monitor</p>	3	<p>Responsible Officer: Estate Manager</p> <p>Action/s Implemented a Risk Management Strategy which includes all key risks, controls, mitigation against these risks and what actions are required to strengthen controls.</p> <p>Estate Manager can advise that the GH Risk Register will be reviewed by the Management Committee on Wednesday 8th September and will be regularly reviewed by the Management Committee thereafter.</p>	<p>Management to insert target date</p> <p>30/09/2021</p>

No.	Finding / Associated Risk	Priority	Management Actions	Target Date
	changing risks and the required actions to strengthen controls.			
10	<p>Training To assist Members with effectively discharging their duties funding is provided towards training within the Management and Maintenance Allowance.</p> <p>Discussions with the Estate Manager confirmed no training was carried out during 2020/21 due to the pandemic.</p> <p>Risk/Implication Where training is not provided, there is an increased risk of Committee Members and staff not being able to keep up to date with their responsibilities and for them to effectively discharge their duties.</p>	2	<p>Responsible Officer: Estate Manager</p> <p>Action/s For 2021/22, a full training list which includes courses for Committee Members and staff will be provided to the Management Committee to review.</p> <p>In addition, all training should be recorded in a register which includes attendees, training attended and course provider.</p> <p>Estate Manager can advise that Training has already been put in place as a result of the full training list being provided to the Management Committee. The Company Secretary will be undertaking training in "An Introduction to Tenant Management and will be undertaking this training on 25th September. Estate Manager can also advise that a Training Register has been put in place and that all future training undertaken by Management Committee Members and Staff will be recorded in it.</p>	<p>Management to insert target date</p> <p>30/09/2021</p>
11	<p><u>Health and Safety</u></p> <p>Non- Compliant Fire Doors Discussions with the Estate Manager confirmed the Co-op are currently in the process of tendering for a Health & Safety Surveyor which the Council has agreed to reimburse the cost of. Once in</p>	1	<p>Responsible Officer: Estate Manager</p> <p>Action/s</p>	<p>Management to insert target date</p> <p>31/12/2021</p>

No.	Finding / Associated Risk	Priority	Management Actions	Target Date
	<p>place the surveyor will inspect all leaseholder and tenanted front doors. Leaseholders will be issued with their findings and those with non-compliant doors will be responsible for replacing them within a specified timeframe.</p> <p>Risk/Implication Where front doors are not compliant, in the event of a fire, there is an increased risk of significant damage to property and harm/injury or death of residents.</p>		<p>Tenders have now been returned and are with the Management Committee for review. The successful tenderer will be selected by the end of August 2021.</p> <p>Surveys will be carried out on all 269 front doors and leaseholders with non-compliant doors will be issued with their findings and informed of their responsibility to replace their doors within a specific time.</p> <p>Non-compliant tenanted front doors will be urgently replaced by the Co-op.</p> <p>This non-compliance issue was highlighted via the Fire Risk Assessment undertaken by Wandsworth Borough Council in 2016 and was not actioned by the Estate Office. WBC on 2018 issued letters to all Leaseholders on site to advise of the non-compliance issues with the flat doors. The current Estate Manager sought guidance from WBC with regards to the sourcing of a Health & Safety Surveyor to survey the doors and these will include, the Tenanted Flat Doors, Estate Manager can advise that she has emailed WBC to ascertain how they wish to pay for any non-compliance issues pertaining to the Tenanted Flat Doors which may arise as a result of the survey because this cannot legally be funded via the Service Charge, will GH utilise the Maintenance Allowances or will WBC fund the non-compliance issues with a separate payment.</p> <p>Estate Manager has noted from a Health, Safety and Fire perspective, the only option available to the Auditor was to categorise this section of our business as a Priority 1 until such time these works are addressed.</p>	

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified. (NB full assurance is based only on the sample tested and does not guarantee that there are no instances of control failure within a system that we have looked at unless we state that we have reviewed 100% of transactions).
Substantial Assurance	Whilst there is a largely sound system of control, there are some weaknesses, which may put a limited number of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of Agreed Actions	
1	Major issues that we consider need to be brought to the attention of senior management.
2	Important issues which should be addressed by management in their areas of responsibility to avoid exposure to significant risk.
3	Minor issues where the risk is low. Action is advised to enhance control or improve operational efficiency.