Internal Audit

FINAL

# Southway Housing Trust

## Assurance Review of Adaptations

## 2023/24

July 2023

# Executive Summary

## OVERALL ASSESSMENT


## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Adaptations:

- Reputational damage of failing to deliver against the action plan.
- Potential financial impact on customers of increases to costs of fossil fuels.
- Potential increased costs to the organisation through increased costs of diesel.
- Installation of new technology expensive and continually developing.

## KEY STRATEGIC FINDINGS

**The Trust works with the MCC Manchester's Equipment and Adaptation Partnership (MEAP) to deliver adaptations. The Council is currently working on a new delivery model and agreement.**

**Delays in occupational therapist review, and staffing issues at Southway, have resulted in a significant backlog and a failure to meet KPIs.**

**Measures to address the backlog such as increasing staffing and no longer carrying out adaptations for other Associations have been proposed to and agreed by the Board.**

## GOOD PRACTICE IDENTIFIED

**Information in committee reports is current, comprehensive, and clearly communicates performance levels.**

**Tenant Satisfaction Surveys are issued for all adaptations works.**

## SCOPE

The review considered the arrangements for responding to requests for aids and adaptations from tenants or other parties, ensuring all appropriate grants are applied for from the local authorities and the arrangements for carrying out works to adapt properties for those with identified needs. The review also considered the range and value of performance indicators that are produced. The scope of the review did not include assessment of the suitability of individual tenants or the letting process.

## ACTION POINTS

| Urgent | Important | Routine | Operational |
|---|---|---|---|
| **0** | **3** | **3** | **1** |

## Assurance - Key Findings and Management Action Plan (MAP)

| Rec. | Risk Area | Finding | Recommendation | Priority | Management Comments | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title) |
|---|---|---|---|---|---|---|---|
| 1 | Directed | The Trust has an Equipment and Adaptions Policy which was approved in October 2018. This incorporates information relating to the agreement with Manchester City Council. | As intended, the Policy be revised and approved and incorporate details regarding the new agreement and delivery model. | 2 | *The policy will be refreshed after the delivery model is agreed and rolled out by MCC. However, if this is delayed then a policy refresh will be carried out and prior to December as an l be carried out as an interim measure.* | *December 2023* | *Strategic Director People and Places* |
| 2 | Directed | Whilst there is evidence that some procedures have been documented, many of these are out of date, and not comprehensive. | As planned, a suite of procedures covering minor and major adaptations and the processing of invoices be fully documented. | 2 | *Upon the appointment of an adaptations surveyor, they will be tasked with producing a complete procedures guide and flowchart.* | *March 2024* | *Contract Manager* |
| 3 | Directed | Information reported to the People and Places Committee regarding the year ended 31st March 2023 showed that 33% of major adaptations and 25% of minor adaptations were completed on time. | Measures planned to address the backlog, such as increasing staffing and no longer carrying out adaptations for other Associations, be implemented. | 2 | *Additional surveying staff are being recruited to and the backlog is being monitored weekly.*<br>*Agreement to no longer take referrals in place since April.* | *March 2024* | *Contract Manager* |

**PRIORITY GRADINGS**

| | | |
|---|---|---|
| 1 | URGENT | Fundamental control issue on which action should be taken immediately. |
| 2 | IMPORTANT | Control issue on which action should be taken at the earliest opportunity. |
| 3 | ROUTINE | Control issue on which action should be taken. |

| Rec. | Risk Area | Finding | Recommendation | Priority | Management Comments | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title) |
|---|---|---|---|---|---|---|---|
| 4 | Directed | Tenant Satisfaction Surveys are sent out for all repairs and adaptations. For repairs and minor adaptations, response rates and information from the surveys is monitored and reported. Going forward the Trust intends to process surveys on major adaptations through the same system. Currently feedback on major adaptations is discussed during contractor monitoring meetings. | The monitoring of response rates and satisfaction for major adaptations be processed and reported through the same system as repairs and minor adaptations. | 3 | *SMS satisfaction to be implemented imminently.* | *September 2023* | *BI* |
| 5 | Delivery | In recognition of the fact that a key performance indicator relating to timeliness included the assessment of need, a process undertaken by the Council, and over which Southway had no control, a more appropriate indicator has been proposed and agreed by Committee. | The KPI measuring whether major adaptations are completed within six months of the application being received and actioned by MEAP be replaced by turnaround time from assessment of need, and the number of overdue applications that Southway has. | 3 | *This has been actioned and is complete.* | *Complete* | *Head of Assets* |
| 6 | Delivery | Monitoring of contractor performance is channelled through Asset Programme meetings attended by representatives from Southway and the contractor. A set of KPIs has recently been agreed which will be used going forward. | Agreed KPIs, tenant satisfaction and results of post inspections be used to effectively monitor contractors' performance. | 3 | *Monthly meetings will be formally minuted with a structured agenda, reporting on new KPIs from Quarter 3.* | *September 2023* | *Contract Manager* |

**PRIORITY GRADINGS**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 1 | URGENT | Fundamental control issue on which action should be taken immediately. | 2 | IMPORTANT | Control issue on which action should be taken at the earliest opportunity. | 3 | ROUTINE | Control issue on which action should be taken. |

# Operational - Effectiveness Matter (OEM) Action Plan

| Ref | Risk Area | Finding | Suggested Action | Management Comments |
|---|---|---|---|---|
| 1 | Directed | Whilst it is possible to extract satisfaction information explicitly in relation to adaptations, this is not routinely produced or monitored. | Consideration be given to formally monitoring overall satisfaction with minor and major adaptations. This data could then be used to inform contractor performance meetings in addition to the current focus on dissatisfied responses. | *Noted, picked up in KPI and Satisfaction surveys.* |

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

# Findings

**Directed Risk:**

**Failure to properly direct the service to ensure compliance with the requirements of the organisation.**

| Ref | Expected Key Risk Mitigation | | Effectiveness of arrangements | Cross Reference to MAP | Cross Reference to OEM |
|---|---|---|---|---|---|
| GF | **Governance Framework** | There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation. | Partially in place | 1, & 2 | - |
| RM | **Risk Mitigation** | The documented process aligns with the mitigating arrangements set out in the corporate risk register. | In place | - | - |
| C | **Compliance** | Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance. | Partially in place | 3, & 4 | 1 |

## Other Findings

The Trust works in partnership with the Manchester City Council (MCC) Manchester's Equipment and Adaptation Partnership (MEAP) to deliver Equipment and Adaptations to tenants that need them to support independent living and wellbeing.

There is a lack of recent evidence of monitoring of the Service Level Agreement with Manchester City Council as, in recognition that the delivery mechanisms within it are no longer fit for purpose, the Council has carried out an internal audit and will be setting up a new model and a new agreement. It is understood that the volume of adaptations processed by Southway will reduce, as it will no longer be required to deliver these to other organisations.

The Significant Risk Map includes the risk 'Adaptations'. This comprises: Reputational damage of failing to deliver against the action plan, Potential financial impact on customers of increases to costs of fossil fuels, Potential increased costs to the organisation through increased costs of diesel, and Installation of new technology expensive and continually developing.

The Control and Risk Certificate for the Asset Management and Environment Team for Quarter 4 2023/24 includes the 'Adaptations' Risk and notes that the increased volume of work and enquiries, together with the departure in September 2022 of the Surveyor who led on adaptations, have impacted the team's ability to complete adaptations within target timescales. The key mitigation stated is that major adaptations for other registered providers will no longer be carried out. Other subcontractors have also been identified as being able to carry out some of the work.

A review of documentation indicated that adaptation information, such as lifts, is added as components on the database when the adaptation installation is complete, together with the date on which the initial warranty expires. The adaptation then falls into the standard service programme as required.

**Delivery Risk:**

**Failure to deliver the service in an effective manner which meets the requirements of the organisation.**

| Ref | Expected Key Risk Mitigation | | Effectiveness of arrangements | Cross Reference to MAP | Cross Reference to OEM |
|---|---|---|---|---|---|
| **PM** | **Performance Monitoring** | There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner. | Partially in place | 5, & 6 | - |
| **S** | **Sustainability** | The impact on the organisation's sustainability agenda has been considered. | In place | - | - |
| **R** | **Resilience** | Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted. | In place | - | - |

## Other Findings

- The number of adaptations and performance against target is presented quarterly to the People and Places Committee. The information in the reports is comprehensive and current and performance levels are clearly communicated.
- The Equipment and Adaptations Policy references and supports the Adapted Homes Policy agreed by Manchester City Council and partner Registered Providers (RPs). This Policy states an intention to 'provide the housing, support and adaptations, advice and guidance and age-friendly neighbourhoods that will preserve independence and allow older people to continue to make their valuable contribution to our communities'.
- Southway's Zero Carbon 2038 Strategy outlines the Trust's commitment to becoming a zero-carbon organisation. Included is the action needed to 'review of all procurement activity to ensure the carbon footprint of all purchasing, from fabrication through to delivery has been considered.'
- The partnership arrangement with Manchester City Council and other registered providers regarding the provision of adaptations will help to ensure that delivery is effective and efficient.

# EXPLANATORY INFORMATION

Appendix A

## Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

## Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

## Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

| | |
|---|---|
| **In place** | The control arrangements in place mitigate the risk from arising. |
| **Partially in place** | The control arrangements in place only partially mitigate the risk from arising. |
| **Not in place** | The control arrangements in place do not effectively mitigate the risk from arising. |

## Assurance Assessment

4. The definitions of the assurance assessments are:

| | |
|---|---|
| **Substantial Assurance** | There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved. |
| **Reasonable Assurance** | The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved. |
| **Limited Assurance** | The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved. |
| **No Assurance** | There is a fundamental breakdown or absence of core internal controls requiring immediate action. |

## Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

## Release of Report

6. The table below sets out the history of this report.

| Stage | Issued | Response Received |
|---|---|---|
| **Audit Planning Memorandum:** | 3rd May 2023 | 10th May 2023 |
| **Draft Report:** | 10th July 2023 | 14th July 2023 |
| **Final Report:** | 17th July 2023 | |

# AUDIT PLANNING MEMORANDUM

## Appendix B

| | | | |
|---|---|---|---|
| **Client:** | Southway Housing Trust | | |
| **Review:** | Adaptations | | |
| **Type of Review:** | Assurance | **Audit Lead:** | Sally Hunter |

| | |
|---|---|
| **Outline scope (per Annual Plan):** | The review considered the arrangements for responding to requests for aids and adaptations from tenants or other parties, ensuring all appropriate grants are applied for from the local authorities and the arrangements for carrying out works to adapt properties for those with identified needs. The review also considered the range and value of performance indicators that are produced. The scope of the review does not include assessment of the suitability of individual tenants or the letting process. |
| **Detailed scope will consider:** | The review will set out to provide assurance to the Audit and Risk Committee that the Trust has robust processes in place to deliver aids and adaptations.<br>• The processes are supported by appropriate policies and procedures.<br>• The risks associated with delivering aids and adaptations have been considered and appropriate mitigating actions have been identified and are operating and monitored.<br>• Servicing of any adaptations is undertaken on a timely basis.<br>• Regular reporting on aids and adaptations undertaken is provided to senior management and the Board/Committee. |

| | | | | | |
|---|---|---|---|---|---|
| **Planned Start Date:** | 12/06/2023 | **Exit Meeting Date:** | 06/07/2023 | **Exit Meeting to be held with:** | Strategic Director of People and Places, Head of Asset and Environment, Contracts Manager, Maintenance Supervisor |

**SELF ASSESSMENT RESPONSE**

| **Matters over the previous 12 months relating to activity to be reviewed** | **Y/N (if Y then please provide brief details separately)** |
|---|---|
| Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc? | Y - The full-time surveyor left in Autumn 2022 and the Trust has been unable to recruit |
| Have there been any breakdowns in the internal controls resulting in disciplinary action or similar? | N |
| Have there been any significant changes to the process? | N |
| Are there any particular matters/periods of time you would like the review to consider? | N |