

1. Audit Summary – Responsive Repairs

Background and Context

- 1.1 An Internal Audit review of controls and procedures in place to manage and monitor responsive repairs was reported in November 2019. The audit opinion was “needs improvement” which is equivalent to “limited assurance” in the current assessment criteria.
- 1.2 The new integrated housing management system - Civica CX, had gone live in October 2018. Much of the property repair history had not been migrated from the old management system - Northgate, because this stored data in a different way.
- 1.3 Central to the 2019 audit opinion was the low use made of Civica CX. An “update” to Civica CX was planned to take place after April 2020. Internal Audit received assurance from the Service that the proposed Civica CX “update” would improve functionality around responsive repairs leading to greater and more effective use of Civica CX. The “update” was completed by July 2020.

Scope and Objectives

- 1.4 Annually the Service delivers over 100,000 repairs including tenant requested repairs, work on void properties and gas safety checks on behalf of Asset Management. Delivery is through an In-house team of operatives, who deliver up to three quarters of the repairs by number, and external contractors. The budget for 2020/21 for all these types of repair was £23.6m.
- 1.5 The scope of the review was agreed by Stephen Peacock, Executive Director, Growth and Regeneration. The review was to consider the effectiveness of controls for responsive repairs and assess the quality of management reporting and analyses. The scope of the assignment included the following areas:
 - Review of the processes now in place to manage and monitor responsive repairs, with particular emphasis on the controls available through the updated Civica CX integrated housing management system
 - Void property works – purchases for repairs
 - Financial control – financial reporting of responsive repairs activity, management of contract variations using measured works that are not subject to the Schedule of Rates (day rates plus materials) and financial analysis.

Audit Opinion

- 1.6 Internal Audit have provided a '**Limited Assurance**' opinion on the adequacy and effectiveness of processes in place to manage and monitor responsive repairs, including void works and financial control.

Key Messages and Findings:

- 1.7 The main reason for the '**Limited Assurance**' opinion is that the integrated housing management system – Civica CX was not being fully used to record costs and manage the activities of the service. At the time of the audit, up to P11 of 2020/21, no reconciliation of costs between Civica CX and ABW was completed by the service. Although ABW appeared more fully populated than Civica CX, there were concerns from Internal Audit that the analysis from ABW does not reflect actual transactions due to the high incidence of accounting journals.
- 1.8 The current poor control environment poses significant risks to the service and the Council. The table below provides a list of the main audit findings and the associated risks or impacts.
- 1.9 The overarching message from the main audit findings is that the current suite of IT applications does not provide the right Housing Management solutions given that other recent internal audit reports on Landlord and Housing Services has identified similar, if not as extensive, issues with the current integrated housing systems, including Civica CX, that has been live for more than two years but are not being used as effectively as they could be.

Risk or Impact					
	Poor Cost Control	Fraud Opportunity	Accounting Errors	Incomplete Property Records	Poor Reporting / Analysis
Failure to implement and utilise Civica CX to manage and record all property repairs.	X	X		X	X
Incomplete recording of repairs cost on Civica CX, compromising the value of reporting and making any "value for money" and "cost benefit" analysis impossible.	X			X	X
Not reconciling property repair records (Civica CX) with accounting records (ABW), to ensure all costs are captured and in common.	X	X	X	X	X
Repairs being processed to ABW only, without recording the "Works Order" or property address in the narrative. This is most common for void works.	X	X	X	X	X
The use of block journal postings for In-house labour and materials to ABW, with only standard labour hours being posted to Civica CX and no materials at all. In addition, no In-house labour cost allocation monitoring is done.	X		X	X	X
Prior year accruals being overstated by at least £574k that effectively move current year costs into last year.	X		X		
Ongoing concerns that recording differences between Civica CX and ABW increase the opportunity of fraud.		X	X		
Ongoing concerns that pricing and variations are not being controlled: <ul style="list-style-type: none"> Void works ordered outside of Civica CX Use of "DUMMY" requests on Civica CX to allow contractor invoices to be paid Over 16% increase between "estimated cost" and "actual cost", for those repairs recorded on Civica CX for external contractors. 	X	X			X

Management Response

- 1.10 Following several meetings the service and Internal Audit agreed that the current system functionality of Civica CX was as commissioned. In hindsight, it was accepted that the initial specification was too narrow. For Civica CX to provide a full solution to managing the service other support systems need to be in place. The key support systems are job costing for in-house repairs, an up-to-date repairs scheduling system and a Contractor Access Portal.
- 1.11 Following Internal Audit feedback, senior management in the Growth & Regeneration Directorate have agreed that a full procurement exercise should be carried out to ensure the service has the best available suite of IT

solutions. A mandate has been developed for a Housing IT Transformation programme, which is now finalised and will move through the approval process.

- 1.12 The Head of Business Innovation for Housing and Landlord Services will present the IT Solution Mandate at the CLB agenda on Tuesday 9 November. This will then follow the decision pathway to Cabinet, intended for the December agenda, subject to CLB approval.
- 1.13 Pending any IT solutions, the service will retain the use of Civica CX, and continue to explore how to maximise functionality. The service has provided fifteen detailed management actions to mitigate the eight main audit findings summarised in the table above.
- 1.14 Senior management in the Growth & Regeneration Directorate have indicated that appropriate Finance & IT expertise will be required to support the delivery of the key systems and process changes.