



Final Internal Audit Report

Wimbledon Park Co-op

December 2018

Issued to: Cecilia Barrett – Housing Manager

Auditor: Carly Brown

Audit Manager: Christopher Martin

Report Status: Final

Overall Assurance: Limited Assurance

**Number of
Recommendations:**

P1	5
P2	8
P3	0

INDEX

<u>Section</u>	<u>Page</u>
1. Executive Summary	3
2. Assurance by Risk Area	5
Appendix A – Management Action Plan	6
Appendix B - Definitions of Assurance and Recommendation Priorities	18

1. EXECUTIVE SUMMARY

Introduction

- 1.1 This report sets out the findings and recommendations of an audit of controls and procedures in place for Wimbledon Park 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 takes on the responsibility for the day to day running of the estate in areas such as day to day repairs, cleaning, caretaking, allocation and lettings.
- 1.4 Wimbledon Park Co-op took over the housing management functions for residents in 1992. In total, there are 279 residential units of which 232 are leasehold properties, 0 freehold properties and 47 are tenanted 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 and internal policies and procedures, the achievement of stated objectives and as far as possible, the completeness and accuracy of records.
- 1.6 It is acknowledged that the rent collection function will be the responsibility of Wandsworth Borough Council by the end of October 2018 and therefore has been omitted from this audit of Wimbledon Park Co-op.
- 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** that there are effective controls in operation for those elements of the risk management processes covered by this review. 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 operation, governance and finances not being efficiently and effectively managed. Also, there are risks that the Co-op may not be achieving value for money and not being able to provide evidence of good governance. The most significant points arising from the audit were:
 - Declaration of interests form not completed by staff or renewed annually by Committee Members or staff
 - Two invoices were not paid within 30 days, eight instances where works completed to satisfaction on a purchase order was not dated and two invoices which had not been authorised by two Committee Members.
 - Management account reconciliations are not carried out within a timely manner and are not

independently checked

- No evidence of budget statement and/or forecasts being presented to the Treasurer monthly and Management Committee on a quarterly basis.
- No nomination forms provided for last Committee election or minuted retirement of members from the board at the last AGM.
- Quarterly monitoring reports are not minuted as being presented to the committee

Summary of Recommendations

- 1.10 We have made 13 recommendations; 5 classified as 'Priority 1' and 8 classified as 'Priority 2' 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
Human Resources	Limited Assurance	1	0	0
Procurement (Inc. Repairs & Maintenance)	Substantial Assurance	0	4	0
Bank Accounts	Limited Assurance	1	0	0
IT Systems & Security	Substantial Assurance	0	1	0
Budgetary Control	Limited Assurance	1	0	0
Governance/Management Committee	Limited Assurance	2	3	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	Recommendation	Management Response	Target Date
1	<p><u>Human Resources</u></p> <p>Declaration of Interests</p> <p>Committee members and staff should declare, in writing, any financial interests in the event of there being a potential conflict with the Co-op's interests. In order to ensure that declarations regarding conflicts of interest remain up to date, the register of interests should be annually reviewed, and Committee members and staff should be required to make new declarations.</p> <p>Examination of Declaration of Interests identified ten instances which had not been reviewed annually by Committee Members or completed at all by staff (initials BK, KC, CN, PE, AC, LO, CH, CB, JCJ and SF).</p> <p>Risk/Implication</p> <p>Where committee members and staff do not declare pecuniary interests annually, there is a risk that the Co-op may not be able to demonstrate that particular decisions have been made in the best interests of the organisation.</p>	1	Ensure Declarations of Interests are completed annually and retained onsite for all Committee members and staff that are involved in the decision-making process.	<p>Responsible Officer: Housing Manager</p> <p>Management to insert their comments</p> <p><i>Noted, committed members declaration interests will be completed</i></p>	<p>Management to insert target date 31/1/2019</p>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
2	<p><u>Procurement</u></p> <p>Payment in 30 days and Payment Authorisation</p> <p>The provisions of the Late Payment of Commercial Debt (Interest) Act 1998 require that all invoices are paid promptly to avoid incurring additional interest.</p> <p>Signatories should independently ensure that the payment has been authorised by an officer with the appropriate authority and that the appropriate checks have been carried out prior to approval.</p> <p>Examination of a sample of 10 purchases identified two instances where payments were not made within 30 days or within supplier specified deadlines (Payment ref: T29 and T68).</p> <p>Examination of ten transactions identified in two instances the invoice had not been annotated/signed as checked and authorised for payment by two committee members (Payment ref: T29 and T32).</p> <p>Risk/Implication</p> <p>Where invoices are not paid within 30 days of receipt or within supplier specified deadlines, there is a risk that additional</p>	2	<p>Ensure that invoices are paid in a timely manner (30 days from receipt or within supplier deadlines).</p> <p>Where any delay is anticipated as a result of a query or incomplete delivery, annotate the respective invoices accordingly.</p> <p>Ensure that bi-monthly payment sheets are authorised by two committee members.</p>	<p>Responsible Officer: Housing Manager</p> <p>Management to insert their comments <i>Noted</i></p>	<p>Management to insert target date <i>Ongoing</i></p>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	<p>interest charges may be incurred by the Co-op resulting in financial loss, or damage to supplier relationships.</p> <p>Where transactions are not evidenced as checked and authorised for payment, there is risk that inappropriate or incorrect expenditure may be incurred.</p>				
3	<p>Works Completed to Satisfaction</p> <p>Section 5.2 of the financial procedures states that “signatories shall initial the invoice or equivalent supporting documentation as evidence that they verify that...There is supporting evidence that the service or goods were satisfactorily received such that payment is now due (which may be a letter of satisfaction from a tenant; or a committee member or member of staff signing the document to say that the goods or services were satisfactorily received).”</p> <p>Examination of a sample of 10 purchases identified eight instances where works completed to satisfaction were signed but not dated (payment ref: T32, T29, T58, T38, T35, T44, T68 and T67).</p>	2	All orders/invoices marked as “works completed to satisfaction” should be signed off and dated.	<p>Responsible Officer: Housing Manager</p> <p>Management to insert their comments</p> <p><i>Noted</i></p>	<p>Management to insert target date</p> <p><i>Ongoing</i></p>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

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	Risk/Implication Where works completed to satisfaction checks are not conducted and evidenced, there is a risk that the Co-op may pay for services that have not been received, are unsatisfactory, or that are different to those specified in the order.				
4	Quotes for Higher Value Purchases As per the Co-op's Financial Procedures, "Where the cost of the work is predicted to cost £10,000 or more, the work must be subjected to a competitive tender. This requirement can be waived by a General Meeting for specified sections of work for specified periods not to exceed two years". Examination of three higher value purchases identified one was not compliant by not having the required number of quotations (BLC). Risk/Implication Where insufficient numbers of quotations are obtained, there is an increased risk that the Co-op may not be achieving value for money and could be open to allegations of corruption leading to adverse publicity.	2	For higher value order purchases, obtain the required number of quotes in line with the Co-op's Financial Procedures. Where there is a reason for non-compliance with the Co-op's Financial Standing Orders the Manager should notify and obtain approval from the Management Committee.	Responsible Officer: Housing Manager Management to insert their comments <i>This was done prior to current management, contract for financial management will be re-tendered</i>	Management to insert target date <i>June 2019</i>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

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5	<p>Financial Procedures</p> <p>The Financial Procedures documents the rules which govern the Co-op's finances and should be reviewed regularly to ensure appropriateness.</p> <p>Examination of the current financial procedures identified the procedures require review and updating, particularly around the method of payments e.g. cheques as the Co-op have stopped using cheques as a method of payment as of March 2018.</p> <p>Risk/Implication</p> <p>Where a policy has not been routinely reviewed and updated, it increases the risk of staff working to outdated and impractical practices.</p>	2	Update the Financial Procedures to reflect the current working practice and document the Management Committee approval in Committee minutes.	<p>Responsible Officer: Housing Manager</p> <p><i>Financial procedures will be reviewed and amended and presented to the board for approval</i></p>	<p>Management to insert target date</p> <p><i>March 2019</i></p>
6	<p><u>Bank Accounts</u></p> <p>Bank Account Reconciliation</p> <p>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.</p>	1	Ensure reconciliations of the rent and management accounts are carried out on a monthly basis and are evidenced as checked by an independent officer.	<p>Responsible Officer: Finance Contractor</p> <p>Management to insert their comments <i>Will be undertaken every month and countersigned.</i></p>	<p>Management to insert target date <i>Jan 2019 and then ongoing.</i></p>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

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	<p>Examination of the management account identified reconciliations were not carried out in a timely manner, for example the reconciliation for July and August was only carried out on 12th October 2018.</p> <p>Risk/Implication</p> <p>Where bank reconciliations are not prepared consistently or within a timely manner, there is an increased risk of being unable to trace and resolve discrepancies.</p>				
7	<p><u>IT Systems and Security</u></p> <p>Passwords Reset</p> <p>To restrict access to IT systems all users must use their own username and password which should be changed, at a minimum, every three months.</p> <p>Discussions with the Housing Manager identified that passwords to the network have not been changed since she took up the role in March 2018.</p> <p>Risk/Implication</p> <p>Where passwords are not regularly changed the level of security is reduced which could result in a breach of the Data Protection Act</p>	2	<p>Access control to the network needs to be reviewed and discussed with the network administrator to put in place a password policy that would ensure that at least the following controls are in place:</p> <ul style="list-style-type: none"> • Password length is set to be a minimum of eight characters; • Passwords are constructed of a mixture of alpha, numeric and or special characters; • Default passwords are force changed on first entry or after password reset; • A password history is maintained of 	<p>Responsible Officer: Housing Manager</p> <p><i>Noted</i></p>	<p>Management to insert target date</p> <p><i>Ongoing</i></p>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	1998 and also allow unauthorised access to systems/data.		at least last 12 passwords used; and <ul style="list-style-type: none"> Password is force changed every 60-90 days. 		
8	<p><u>Budgetary Control</u></p> <p>Budget Statement/Finance Reports</p> <p>To ensure that financial information is accurate and a true reflection of the Co-op, reports should be produced from the finance system and presented to the Treasurer monthly to review.</p> <p>Discussions with the Housing Manager identified that budget statements and/or forecasts are not produced and presented to the Treasurer on a monthly basis. The Housing Manager explained the Treasurer is new to the role and no training has been given. Additionally, there was no documentation provided to evidence that any budget statements or forecasts had been presented to the Management Committee.</p> <p>Risk/Implication</p> <p>Where no reports, statements or forecasts are presented to the Treasurer and Management Committee, there is an increases risk of inaccurate finance</p>	1	<p>Finance reports must be produced within the finance system and presented to the Treasurer monthly, who evidences the review by signature and date.</p> <p>Finance should be a standing item on the agenda and discussions fully minuted.</p>	<p>Responsible Officer: Housing Manager</p> <p>Management to insert their comments <i>Noted</i></p>	<p>Management to insert target date <i>Monthly from Jan 2019</i></p>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	reporting.				
9	<p><u>Governance/Management Committee</u></p> <p>Share Certificates</p> <p>The Modular Management Agreement between the Co-op and the Council section 6 states “shares shall be issued to persons upon admission to membership of the Society”. Furthermore, section 31d states “only members of the Society may stand for election to the Committee or may nominate persons to stand for election to the Committee”.</p> <p>Reviewing membership records identified that in one instance a member of the board is not recorded as holding a share (initials NT).</p> <p>Risk/Implication</p> <p>Where shares are not issued within accordance of the Modular Management Agreement, it increases the risk of challenges from interested parties and could also lead to challenges to the constitution.</p>	2	Ensure all Committee members hold a share certificate and retain copies onsite.	<p>Responsible Officer: Housing Manager</p> <p>Management to insert their comments <i>Noted</i></p>	<p>Management to insert target date <i>This has now been completed and will be ongoing when new committee members come on board.</i></p>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

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10	<p>Nominations and Election of Members</p> <p>Section 34b of the Agreement between the Co-op and the Council states “Nominations for the Committee shall be in writing, state the full name, address of the member nominated, be signed by the member making the nomination, contain a signed statement by the member nominated of his/her willingness to be elected and be left at the registered office not later than seven days before the date appointed for the General Meeting at which the vacancies in the committee are to be filled”.</p> <p>Section 33a of the Modular Management Agreement states that “at every subsequent annual general meeting on-third or the nearest number thereto of Committee Members shall retire from office”. Section 33b states that “A retiring Committee Member shall be eligible for re-election”.</p> <p>Discussions with the Housing Manager identified that no nomination forms were completed for the last election which took place at the AGM on 4th July 2018.</p> <p>Examination of the AGM minutes carried out on 4th July 2018 did not identify any of the board retired.</p>	1	<p>At the next election ensure:</p> <ul style="list-style-type: none"> Nomination forms include the full name, address and signature of the nominator and a signed statement from the member accepting the nomination A record is kept of the date nomination forms are received at the registered office All aspects relating to elections comply with the Agreement between the Council and Wimbledon Park Co-op All documents pertaining to elections are retained on site <p>At the next election, one third of the board must retire as per the MMA and their retirement and potential re-election must be minuted.</p>	<p>Responsible Officer: Housing Manager</p> <p>Management to insert their comments</p> <p><i>Noted, form will be developed and used for next years AGM</i></p>	<p>Management to insert target date <i>Next AGM in 2019</i></p>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

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	Risk/Implication Where elections are not compliant with the Council's Agreement there is an increased risk of the Committee being challenged and not promoting transparency. There is also a risk of inappropriate people being on committees leading to incorrect decisions being made.				
11	Quarterly Performance Reports In order for the Management Committee to make effective decisions and to monitor the performance of the Co-op they should be provided with appropriate performance monitoring information. It is acknowledged that quarterly performance reports are published, however, there is no evidence to suggest that they have been presented to the Management Committee. Risk/Implication When the Management Committee is not provided with quarterly performance monitoring reports, there is a risk that incorrect decisions may be made, and poor performance not identified and corrected in a timely manner.	1	Ensure quarterly performance monitoring reports are presented to the Management Committee and clearly documented in Management Committee meeting minutes.	Responsible Officer: Housing Manager <i>This will be actioned at the next board meeting</i>	Management to insert target date <i>16th January 2019</i>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

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12	<p>Complaints Register/Policy</p> <p>Complaints made by stakeholders should be dealt with in a timely manner. The performance of the service provider can also be assessed, and any areas of poor performance addressed. Additionally, a complaints policy should be in place and made available to residents and interested parties at all times.</p> <p>Examination of the complaints register identified that it does not detail if an acknowledgement/response was given or the action taken or current status of the complaint. It is acknowledged that a complaint procedure is in place, however, the document does not detail when it was last reviewed and is not published.</p> <p>Risk/Implication</p> <p>Where complaints are not resolved in a timely manner it could adversely affect the reputation of the Council. Additionally, where policies are not version controlled it increases the risk of staff working to out of date practices.</p>	2	<p>Ensure complaints are processed in a timely manner and in accordance with the Complaints Policy and Procedure. Review the complaints procedure and version control the document to include:</p> <ul style="list-style-type: none"> a) Date of issue b) Date of review c) Author d) Approved by 	<p>Responsible Officer: Housing Manager</p> <p>Management to insert their comments <i>This has been actioned already</i></p>	<p>Management to insert target date <i>Completed and ongoing</i></p>

Appendix A - Management Action Plan

Wimbledon Park Co-op Audit Report 2018/19

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13	<p>Co-op Website</p> <p>To ensure transparency the website should publish, at a minimum, General and Annual General Meeting minutes, the Complaints Procedure and the Resident's Handbook.</p> <p>Reviewing the Co-op website identified that General Meeting minutes have not been published for the last 12 months.</p> <p>Risk/Implication</p> <p>Where transparency does not exist, there is an increased risk of management being challenged from interested parties.</p>	2	Ensure the Co-op website publishes all General Meeting minutes for the last 12 months.	<p>Responsible Officer: Housing Manager</p> <p>Management to insert their comments <i>This has been actioned already.</i></p>	<p>Management to insert target date <i>Completed and will be updated after every general meeting.</i></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 minor 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 recommendations	
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.
3	Detailed problems of a minor nature that were resolved through on-site discussion with local management.