

**South Kesteven District Council**  
**Internal Audit Progress Report**  
**24 September 2025**

# Summary of 2025/26 work

## Internal Audit

This report is intended to inform the Governance and Audit Committee of progress made against the 2025/26 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

## Internal audit methodology

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report and are based on us giving either 'substantial', 'moderate', 'limited' or 'no'. The four assurance levels are designed to ensure that the opinion given does not gravitate to a 'satisfactory' or middle band grading. Under any system we are required to make a judgement when making our overall assessment.



## Internal audit plan 2025/26

We have made good progress in the delivery of the 2025/26 audit plan

We presented the following reports to previous Governance and Audit Committee meetings:

- ▶ Climate Plan
- ▶ Payroll Access.

We are pleased to present the following report to this Governance and Audit Committee meeting:

- ▶ Voids Management.

Fieldwork is in progress in respect of the following audits:

- ▶ Performance Management.

Planning is underway in respect of the following audits:

- ▶ Treasury Management
- ▶ Building Control
- ▶ IT Strategy
- ▶ Account Payables
- ▶ Market Services
- ▶ Main Financial Systems.

We anticipate presenting these reports at future Governance and Audit Committee meetings.

## Changes to the 2025/26 internal audit plan

There are no changes to the Plan.

## Value added

We are also presenting the following reports to this Governance and Audit Committee meeting:

- ▶ BDO - Global Risk Landscape
- ▶ This report examines the attitudes of 500 global risk leaders to a range of emerging and evolving risks such as Artificial Intelligence (AI), cyber-attacks and supply chain, and offers practical takeaways to manage risks
- ▶ The theme and title of this year's report is "The risk rift: why playing safe means losing growth" which highlights a big mistake in risk management - focusing too much on compliance rather than the bigger picture of risk. By shifting from a compliance-first to a risk-first mindset, organisation can take advantage of greater strategies to navigate and leverage risks for growth and opportunity.

Our research found that 69% of organisations surveyed took a risk-averse or risk-minimising approach, with 74% of Executives saying that embedding risk thinking into their organisation's culture is a priority.





## Review of 2025/26 work

AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Climate Plan	Debbie Roberts	18 June 2025	✓	✓	✓	M	S
Payroll Access	David Scott	23 July 2025	✓	✓	✓	M	S
Voids Management	Alison Hall-Wright	24 September 2025	✓	✓	✓	M	M
Performance Management	Debbie Roberts	13 November 2025	✓	✓			
Treasury Management	David Scott	21 January 2026	✓				
Building Control	Emma Whittaker	21 January 2026	✓				
IT Strategy	Gary Andrew	21 January 2026	✓				
Account Payables	Rikki Wiltshire	21 January 2026	✓				
Market Services	Kayleigh Boasman	18 March 2026	✓				
Main Financial Systems	David Scott	18 March 2026	✓				

# Voids Management

## SRR REFERENCE:

### 2 - SERIOUS SAFEGUARDING FAILURE BY THE COUNCIL

### 3. SERIOUS HEALTH, SAFETY, AND WELL-BEING FAILURE BY THE COUNCIL

Design Opinion	M Moderate	Effectiveness Opinion	M Moderate
Recommendations	0 2 0		



## SCOPE

### Background

- Void properties, which are Council-owned housing units that are unoccupied between tenancies, represent a significant operational and financial challenge for local authorities. While vacant, these properties do not generate rental income, may attract anti-social behaviour, and reduce the availability of affordable housing for those in housing need.
- Local authorities have a statutory duty under the Housing Act 1985 and subsequent regulatory frameworks to provide safe, secure, and habitable homes for residents, with minimal delay in allocating available stock.
- The Regulator of Social Housing, through its Tenant Satisfaction Measures Standard (2023) and Home Standard, expects providers to ensure properties are well-maintained and promptly re-let when they become void. As such, efficient voids management is both a service delivery expectation and a driver of financial sustainability, as void properties represent a loss of rental income and reduce the availability of affordable housing for residents.
- South Kesteven District Council (the Council) has introduced measures to improve void property turnaround performance, including setting a corporate target of 100 days for 2024/25 between a tenant leaving and a new tenant entering the property. The aim is to reduce this to 80 days in 2025/26 and to 60 days by 2027/28.
- Voids management is a shared responsibility between the Housing team (who manage tenancy terminations and allocations) and the Technical Services team (who coordinate inspections, repairs and contractor mobilisation).
- The Council has an in-house Repairs team supported by external contractors for major works of void properties and is currently transitioning to a new digital project planner system to manage voids more efficiently.
- The Council's Voids Policy (2022-2025) outlines its commitment to minimising void periods through effective inspections, repairs, re-letting, and monitoring performance. A revised process is underway with changes in team structure, resourcing, and IT systems, with the aim to improve turnaround times, data accuracy, contractor management and overall service quality.
- There is a re-let standard managed through the South Kesteven Voids Quality Standard (SKVQS) that ensures properties meet minimum safety and quality standards before reallocation.

### Purpose

- The purpose of this audit is to provide assurance on the Council's end-to-end void management processes, from initial vacancy notification through to re-letting. The audit will evaluate procedural controls, operational performance, contractor

management, adherence to the Council's Void Quality Standard, and the use of IT systems to manage and track void activities.

### Areas reviewed

As part of the scope of this audit the following areas were reviewed:

- ▶ Documented voids management procedures to assess whether these clearly established the necessary processes and controls. We assessed whether staff had received sufficient training and guidance to ensure the consistent application of voids management standards.
- ▶ A sample of five void properties from 2024/25 and 2025/26 (April 2024 -July 2025) was reviewed to assess whether:
  - ▶ Tenancy terminations were processed in line with policy.
  - ▶ Post-tenancy inspections were completed and documented.
  - ▶ Recharge opportunities were identified and pursued.
  - ▶ Root cause analysis of repeat voids or delays had been carried out.
  - ▶ Re-let standards (condition of property prior to letting) were met.
- ▶ Council's performance against internal void targets, including average re-let time, (calendar days), rent loss (%), and cost per void. We benchmarked the Council's performance against these metrics to other local authorities based in the East Midlands to assess how it performed in comparison to others and to highlight improvement areas.
- ▶ Processes for identifying and recovering tenant recharges at the end of tenancy, and whether opportunities for cost recovery were consistently pursued in compliance with the Recharge Policy.
- ▶ Housing and Technical Services performance dashboards, minutes of management meetings and escalation processes to assess whether void performance risks were being monitored, challenged, and acted upon effectively.
- ▶ The Council's governance arrangements to assess the level of reporting and oversight of voids management performance. We reviewed reports on void performance, including its key performance metrics, to the Housing and Scrutiny Committee as part of the routine performance reporting cycle, ensuring Members can monitor performance against targets and to scrutinise management responses to any underperformance.
- ▶ The Technical Services Restructure (March 2025) which introduced a dedicated Voids Manager, Supervisor, Inspectors, Contract Officer, and Planner roles, supported by specialist Resource and Cost Officers.
- ▶ A walkthrough of the voids workflow and resources planning (in April 2025) covering the end-to-end process from tenancy termination through to re-let to assess how responsibilities are defined, tracked and managed at each stage.
- ▶ Processes to manage contractors for void properties to ascertain whether these provided effective oversight of the performance of contractors, allowing for underperformance to be addressed or escalated promptly.
- ▶ Evidence of tenant engagement during tenancy termination and sign-up processes, including communication of expected standards and timescales for re-let. This was to ascertain whether the Council actively engaged with tenants to manage their expectations over re-let timescales.



## AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ There was regular reporting on performance of voids management to the Housing and Scrutiny Committee on the key performance metrics. This supported strong governance and democratic oversight. Performance data, trends, and key challenges are provided to Members, with sufficient scrutiny supporting accountability and informed challenge.
- ▶ The Council has strengthened resource planning for voids by structuring the Technical Services team with clear roles, including management, supervision, inspection, planning, and cost-tracking. This approach improves accountability, reduces delays, and supports more consistent void management performance.
- ▶ The SKVQS set out requirements for safety, compliance and tenant-ready standards. We reviewed evidence as part of this audit and confirmed that the framework had been consistently applied in the properties that we sample tested.
- ▶ There are monthly meetings with major void contractors, attended by key officers and contractor representatives, to monitor performance, raising issues, and monitoring delivery against expectations. A designated Contract Officer has been appointed to manage the relationship.
- ▶ A set of key performance indicators (KPIs) have been established to monitor turnaround times to volumes of voids in progress. These are presented to the Technical Services team meetings, enabling performance monitoring at operational level and ensuring management has visibility of trends.



## AREAS OF CONCERN

We found:

- ▶ While void management KPIs are reported, underperformance is not consistently linked to tangible action plans or escalation. KPI data for 2024/25 and 2025/26 highlighted underperformance in re-let turnaround timescales, rent loss and cost per void. Without stronger performance oversight and follow-through actions, there is a risk of continued inefficiency, loss of revenue and financial strain (Finding 1 - Medium).
- ▶ There are no formal criteria defining major and minor voids, leaving classification open to interpretation. The Voids Policy is out of date, with two versions (2021-24 and 2022-25) in circulation (we note that management were awaiting the outcome of this review prior to updating the Policy). Roles and responsibilities for Housing and Technical Services are not clearly defined, as there is no overarching procedure document setting out end-to-end responsibilities, resulting in inconsistent practice, weak accountability and longer turnaround times (Finding 2 - Medium).



## ADDED VALUE

- ▶ Using the Council's raw performance data between January 2024 and July 2025, we produced a month-by-month breakdown of re-let times, rent loss and cost per void, split between major and minor voids. These results were then compared against the Council's internal 80-day benchmark and industry standards.
- ▶ The key findings from our benchmarking were:
  - Re-let times - The Council averages 81 days overall (132 major, 85 minor) against sector benchmarks of 25 to 29 days (median) and 50 to 74 days (Housemark)
  - Rent loss - At £1,585 per void, the Council is above national comparators (£427-£1,089)
  - Cost per void - The Council is higher than peers, driven by long turnaround times and a larger proportion of major voids.
- ▶ However, we note improvements in the April-July 2025 data collated thus far, as average re-let time for this period excluding major voids was 67 days, putting the Council at the middle of the Housemark benchmark and average void loss at under a thousand pounds (£910).



## CONCLUSION

We conclude that the Council has a Moderate design and effectiveness of controls for the management of its voids function.

### Control Design

- ▶ The control design is Moderate because the Council generally has a sound system of internal control designed to achieve system objectives with some exceptions. Policies were in place for voids management and tenant recharge, and contracts with external providers set expectations for major void works. However, two overlapping versions of the Voids Policy remain in circulation and there was no overarching end-to-end procedure that maps responsibilities between Housing and Technical Services. This did lead to some inconsistencies in how the processes were applied by staff.

### Control Effectiveness

- ▶ The control effectiveness is Moderate as there was evidence of non-compliance with some controls, that may put system objectives at risk. Performance monitoring is embedded, with KPIs regularly reviewed in team meetings and one-to-one meetings. However, underperformance is not consistently translated into corrective actions or escalated that can be tracked and monitored to improve performance. Our benchmarking identified that the Council's average re-let time for void properties was below its performance target, and significantly below the average nationally and in the East Midlands. As a result, it lost more rental income per property due to them being void than the national average.

### Direction of Travel

- ▶ There has been a positive direction of travel in performance against KPIs with re-let times going from 143 days to 126 days and now to sub one hundred, increased monitoring of void KPIs and regular reporting at both team and managerial levels. The current opinion of Moderate on both the design and effectiveness of controls reflects a balance between adequate voids management processes with some gaps identified in how these were applied.
- ▶ We recognise the Council is achieving against some of its own internal voids targets; however, these are set below sector best practice and do not reflect higher standards achieved by other local authorities. The issue of extended re-let times has been a long-standing challenge dating back to at least 2019.
- ▶ If recommendations are implemented, particularly around classification, escalation, action tracking of underperformance and policy consolidation, the Council could improve performance and close the benchmarking gap.



## Sector update

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to local authority providers that may be of interest to your organisation. It is intended to provide a snapshot of current issues for Elected Members and Executive Directors.

### LEADERSHIP IN LOCAL GOVERNMENT

*CMI has partnered with the Social Market Foundation to explore the role that quality leadership and management can play in improving local government effectiveness*

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Effective leadership and management are crucial for public sector performance, including local government. The Chartered Management Institute (CMI) have partnered with the Social Market Foundation to conduct research, based on expert insights, survey data and case studies to examine the latest leadership and management challenges in local government.

We have summarised the key findings and the proposed improvements that this report by the CMI have made.

#### Key findings

Only 67% think that senior leadership in their organisation is effective at ensuring the organisation succeeds, raising questions about how widespread good leadership is.

Less than half (only 45%) of surveyed leaders and managers agreed that in 2022, the leadership in their council was effective at attracting talent.

40% of leaders and managers said the senior leadership in their authority were poor at motivating staff or failed to do it at all.

Only 44% think that their organisation is performing well in ensuring accountability for failure and just under a quarter (24%) think addressing staff underperformance is poor.

#### Proposed improvements

- ▶ The Office for Local Government (Oflog) should prioritise leadership and management quality, adopting and sharing best practices across the sector to collectively improve leadership standards.
- ▶ The Department for Levelling Up, Housing and Communities (now the Ministry for Housing, Communities and Local Government) should establish a leadership academy to provide managers and leaders with access to high quality leadership training.
- ▶ The Department for Levelling Up, Housing and Community should create a 10-year workforce strategy for local government, supporting by an increase in funding to local authorities to improve recruitment and retention of staff.
- ▶ The workforce strategy should recognise the importance of diversifying the workforce, introducing a direct entry system for leaders from other industries to bring in fresh ideas and perspectives.





### Management and leadership in local government report - CMI

#### FOR INFORMATION

For the Governance and Audit Committee and Executives Directors





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## Key performance indicators




QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings attended including Governance and Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Engagement Partner or Engagement Manager	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO was found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards	
Quality of work	We issue surveys at the end of each audit, however, have not received any responses for the 2025/26 reviews. The number of responses is lower than we would expect, and we will work with the management team to increase the number of responses to our surveys during 2025/26.	
Completion of audit plan	We have progressed the 2025/26 Internal Audit Plan, with two audits presented to this Governance and Audit Committee meeting and other audits in the fieldwork or planning phase.	

# Appendix 1

## OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
<b>Substantial</b> 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
<b>Moderate</b> 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally, a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls, that may put some of the system objectives at risk.
<b>Limited</b> 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
<b>No</b> 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

## RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE	
<b>High</b> 	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
<b>Medium</b> 	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
<b>Low</b> 	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

## FOR MORE INFORMATION:

**Gurpreet Dulay**

Gurpreet.Dulay@bdo.co.uk

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