



Internal Audit Report  
Housing and Community Care  
Buy Backs Assignment No.15-12

March 2016

## Final Report

Finance Division  
Corporate and Democratic Services  
Perth & Kinross Council  
Blackfriars Development Centre  
North Port  
Perth PH1 5LU

### Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

On 27th March 2013, the Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Consultancy work aims to support management in building in controls at the outset for the implementation of systems, processes and procedures and also provides specific assurance for particular projects or issues at the request of management. This approach is consistent with the PSIAS.

### Background and Introduction

This consultancy assignment was carried out as part of the audit plan for 2015/16, which was approved by the Audit Committee on 1 April 2015.

In order to increase housing stock, and to establish vacancy chains (satisfying the demand of multiple tenant households), the Council has established a capital budget and programme for the re-purchase of housing stock, that was sold under Right to Buy legislation.

The review considered the process from first enquiry by an owner of a former local authority property through to completion of the purchase. It examined management arrangements, monitoring and reporting along with the scope to increase the number of houses purchased through the scheme.

### Scope and Limitations

The consultancy sought to provide advice regarding the processes employed by the Council for purchasing former Council housing sold under Right to Buy. As such, there is no Internal Audit Opinion on the strength of internal control.

The assignment reviewed Buy Back documentation and current processes. Officers responsible for leading and implementing the scheme were interviewed during March 2016. This report details the outcomes of Internal Audit’s review.

### Work Done

#### Process

The process from initial contact from a vendor to purchase was described to the auditor. Housing officers from Perth City and Specialist Services identify potential purchases presented to them through a dedicated email address. The suitability of prospective purchases is assessed by the Private Sector Co-ordinator with regard to location, size and style of property. Details of properties which meet required specifications are passed to Project Managers in Housing, for survey. The survey includes an assessment of the costs which would be necessary to bring the properties up to Scottish Housing Quality Standard (SHQS).

Where the costs are not considered prohibitive (currently, £6,000) details of the prospective purchase are passed to Surveyors in Estates. Having considered the existing market conditions, the Home Report valuation and any costs which Housing

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would have to incur to bring the property up to standard, the Surveyor will advise Housing Management of a reasonable price whilst still providing best value to the Council. Under instruction from Housing Management, the Surveyor then enters into negotiations with the owner or their agent; when a price is agreed the purchase is progressed through to completion by Legal Services.

Management of the scheme by the project team and through monitoring reports ensures that regular updates are provided and feedback can ensure the removal of blockages in the process.

### Advice

A clear message should be agreed to provide a consistent approach through the dedicated email address, [pkc.gov.uk](mailto:pkc.gov.uk) and the Customer Service Centre. Review of publicly available information identified that there were inconsistencies. The auditor was assured that work is currently under way to improve the presentation of the scheme on the Council's website [pkc.gov.uk](http://pkc.gov.uk) to provide current accurate information.

There is scope to improve the process of identifying properties suitable for purchase for example, consideration of when, in the process, a Home Report is required.

The creation of vacancy chains through the Buy Back process is a major driver in the rationale for increasing housing stock. However, there is potential to improve the monitoring of this outcome.

Consideration should be given to the impact on other Council Services of any significant increase in the number of ex-local authority houses purchased, and the potential to formalise arrangements through Service Level Agreements.

### Acknowledgements

Internal Audit acknowledges with thanks the co-operation of officers in Housing, Estates in Planning and Development and Legal Services during this work.

### Feedback

Internal Audit welcomes feedback from management, in connection with this work or with the Internal Audit service in general.

### Distribution

This report has been distributed to:

B Malone, Chief Executive

J Walker, Depute Chief Executive HCC (Corporate and Community Development Services) and Chief Operating Officer

B Renton, Director (Environment)

L Cameron, Head of Housing and Care Commissioning Strategy

D Littlejohn, Head of Planning and Development

L Simpson Head of Governance and Legal Services

J Symon, Head of Finance

C Mailer, Senior Manager, Housing

K McNamara, Head of Strategic Commissioning and Organisational Development

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G Taylor, Head of Democratic Services

P Dickson, Complaints and Governance Officer

External Audit

### Authorisation

The auditor for this assignment was A Gallacher. The supervising auditor was M Morrison.

This report is authorised for issue:

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Jacqueline Clark  
Chief Internal Auditor  
Date: 23 March 2016