



Internal Audit Report
Housing and Community Care
Owner Occupiers Accommodation Related Costs 12-11
May 2013

Final Report

Chief Executive's Service
Finance Division
Perth & Kinross Council
2 High Street
Perth PH1 5PH

Background and Introduction

This assignment forms part of the Internal Audit plan for 2012/2013 as approved by the Audit Sub-Committee on 27 March 2012.

The Council own buildings where there are mixed tenancies as a result of the implementation of the Right to Buy (RtB) legislation. Where the Council retains the responsibility for maintenance of the fabric of the building, there is scope to recoup some of the costs associated with this work

The scope of the review focussed mainly on works carried out by the Council, and its sub-contractors, on planned maintenance and capital projects during 2012/13. This included work on mixed tenancy properties which would involve recharging owner occupiers for essential work and require their agreement for recharging them for non-essential work. Responsive repairs to common areas of mixed tenancy properties are also occasionally carried out by the Housing Repairs and Improvements Service and recharged to owner occupiers; these are also included in this review. These repairs are generally urgent repairs and are only recharged to owner occupiers where they are, in conjunction with the Council, responsible for ensuring that the common areas are safe and maintaining the fabric of the building. The Council does not carry out emergency repairs within owner's homes.

There are also recharges for other services, such as stairlighting, heating and caretaking services to owner occupiers in mixed tenancy properties, where the Council is responsible for providing these services. The charges for these additional services are approved by Committees. Any findings relating to these annual charges are incidental to the main review.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of the Housing Repairs and Improvement Services during this audit.

Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective: To ensure that arrangements are in place to identify where works are undertaken on mixed tenancy buildings which may be rechargeable to owner occupiers.
Auditor's Comments: There are arrangements in place to identify where works are undertaken on mixed tenancy buildings which may be rechargeable to owner occupiers within the

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Housing Repairs and Improvements Service.

However these arrangements could be improved by creating a single register containing information relating to the status of owner occupied accommodation and by the amalgamation of the separate SharePoint sites. Some procedures in place are in need of review.

Strength of Internal Controls:

Moderate

Control Objective: To ensure that standard procurement procedures are in place for ensuring that value for money is obtained and delivered on these projects.

Auditor's Comments:

Audit testing of a sample of three of the main contracts covering work undertaken during 2012/13 on projects that included both planned maintenance and improvement work on mixed tenancy buildings confirmed that the standard procurement procedures are in place for ensuring that value for money is obtained and delivered. For the three contracts reviewed the contractor that submitted the best overall scored tender, based on price and quality, won the work. From evidence available of completed work to date the final value of works did not significantly exceed the original amount tendered and variations to the original tendered price appeared to be reasonable.

In addition, the review confirmed that there have been no complaints from owner occupiers recharged to date for the work undertaken within the last three years about either the cost or quality of work they have been recharged for.

Strength of Internal Controls:

Strong

Control Objective: To ensure that procedures are place for the notification of owner occupiers of their contribution for the works, which are in line with the amounts invoiced.

Auditor's Comments:

The procedures in place are being adhered to in that owner occupiers received advance notification of both the planned maintenance and the capital works before the work started on site. Once the contractors were appointed and tender price known the owner occupiers were sent an estimate of the costs of the works. The final amounts invoiced were not significantly different from the estimates and on occasion were less than the original estimates provided.

However, the stairlighting charges have been reviewed and increased annually where the policy states that the review will be undertaken every two years.

Strength of Internal Controls:

Moderately strong

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Feedback

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

Distribution

This draft report has been distributed to:

B Malone, Chief Executive

D Burke, Executive Director (Housing & Community Care)

J Walker, Depute Director, Housing and Community Care

L Cameron, Head of Housing and Strategic Commissioning

J Symon, Head of Finance

J Beverley, Housing Repairs & Improvements Service Manager

G Taylor, Head of Democratic Services

P Dickson, Complaints & Governance Officer

External Audit

Authorisation

The auditor for this assignment was M Richardson. The supervising auditor was D Farquhar.

This report is authorised for issue: _____

Jacqueline Clark

Chief Internal Auditor

Date: 31 May 2013

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Register of Owner Occupiers Houses in Mixed Tenancy Blocks	Medium
2	Service Policy and Procedures and Information on Intranet and SharePoint	Medium
3	Stairlighting Recharges	Low

Action Point 1 - Register of Owner Occupiers Houses in Mixed Tenancy Blocks

There is no single register listing all owner occupier accommodation within mixed tenancy blocks and the main services required to be provided by the Council.

There are currently 2 systems in use within Housing recording different levels of detail which are supplemented by area-based spreadsheets detailing the services provided by the Council. These records require to be continually updated for council house sales and buy-backs. Housing's arrangements are supplemented by two systems in operation within Legal Services which also record the legal status of properties. Where there are queries about ownership and the share of costs to be recharged these are directed to Legal Services who have to go back to the paper files that contain all correspondence regarding the original sale and check the titles and deeds of condition.

The Service advised that the Property database had only recently been updated and was currently being tested. It was thought that this could be extended to include more information on owner occupied accommodation.

Management Action Plan

IT and Legal Services will be consulted to ascertain whether the newly upgraded Property database could be expanded to provide a single repository of information relating to all owner occupied houses within mixed tenancy blocks, together with details of services provided by the Council and all of its responsibilities regarding maintaining the fabric of the property.

Importance:	Medium
Responsible Officer:	June Beverley, Housing and Improvements Service Manager
Lead Service:	Housing and Community Care
Date for Completion (Month / Year):	October 2013
Required Evidence of Completion:	Outcome of review

Auditor's Comments

Satisfactory

Action Point 2 - Service Policy and Procedures and SharePoint sites

There are two team SharePoint sites for the Housing Repairs Service and Improvements and Maintenance.

It was noted that a number of pages within these SharePoint sites had not been recently reviewed and updated and that detailed procedures for recharging owner occupiers for work carried out on their behalf were not easy to find. These are often included in sections headed Tenants recharges. A number of detailed procedures held in the Improvements & Maintenance Procedures Manual dated 2006, while useful and still relevant, were in need of review to take account of more recent changes in legislation and practice.

In addition, the Recharge Policy and Procedure only briefly notes stairlighting services and planned maintenance in relation to recharging owner occupiers. In the Committee Report (12/120) that accompanied the revised policy and procedure on 14 March 2012 this was acknowledged at paragraph 2.5 and stated that policy and procedures in relation to the legislation surrounding recharges to private owners will be drafted but this has yet to be completed.

Management Action Plan

The two SharePoint sites will be amalgamated and the contents will be reviewed and updated where applicable. Procedures for recharges for all types of repairs, maintenance and improvement works to owner occupiers accommodation in mixed tenancy buildings will be updated and clearly located within the SharePoint site.

Importance:	Medium
Responsible Officer:	June Beverley, Housing and Improvements Service Manager
Lead Service:	Housing and Community Care
Date for Completion (Month / Year):	October 2013
Required Evidence of Completion:	A single SharePoint site containing updated policies and procedures with specific procedures covering recharges to owner occupiers.

Auditor's Comments

Satisfactory

Action Point 3 - Stairlighting Recharges

The Recharge Policy and Procedure at paragraph 10 states that the charges will be issued annually in (October) and prices reviewed every two years. The annual Charging Statement submitted to the Housing and Health Committee for the past three years were reviewed and this charge has increased in each of the three years; 2011/12, 2012/13 and 2013/14.

Management Action Plan

The Recharge Policy and Procedure will be updated to reflect that the charge increases each year by the same percentage as any agreed rent increase.

Importance:	Low
Responsible Officer:	June Beverley, Housing and Improvements Service Manager
Lead Service:	Housing and Community Care
Date for Completion (Month / Year):	October 2013
Required Evidence of Completion:	Updated Recharge Policy and Procedure

Auditor's Comments

Satisfactory

