



Internal Audit Report  
Housing & Community Care  
11-12 - Commissioning Services – Temporary Accommodation  
June 2012

## 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 2011/2012, as approved by Audit Sub-committee on 9 March 2011.

The Council has a legal duty to provide temporary accommodation to those who are homeless or imminently homeless. Due to the time-critical element of such needs and the pressures on availability of Council-owned housing stock, temporary accommodation may have to be provided until such times as suitable permanent accommodation can be secured. Temporary accommodation (and relevant support services) where provided by voluntary sector organisations, on referral by the Homelessness Team, are purchased by Housing and Community Care under Service Level Agreement or contract and are monitored by the Commissioning and Contracting team. Where provided by the private sector, for Bed & Breakfast Accommodation monitoring is the responsibility of Homelessness Services, within Housing and Community Care.

The Council's Homelessness Services provision was the subject of a re-inspection report by the Scottish Housing Regulator which was presented to Housing and Health Committee on 2 February 2011, following work done in June and July 2010. The re-inspection resulted in a 'B' grade for 'Good' performance, noting improvement from the original inspection of 2006. Weaknesses were however identified in the delivery of temporary accommodation due to an increasing reliance on bed and breakfast accommodation, limitations on some of the facilities provided and breaches of the Homeless Persons (Unsuitable Accommodation) Scotland Order 2004.

The potential failure to meet Scottish Government Homelessness 2012 target of ensuring that all unintentionally homeless households have a right to a home and are thus entitled to settled accommodation has been identified as both a Service and Corporate Risk. By phasing out the category of "priority need" in the assessment of homeless applicants, the Council has met this target. Under arrangements with voluntary sector providers a maximum of 82 people can be housed (and supported) at any time and during 2011/12 work was undertaken by the Contracts and Commissioning Team to negotiate efficiency savings whilst ensuring the continuity and quality of service provision.

The audit included examination of published and internal documents and interviews with officers located at Whitefriars and York Place. The audit was concerned with services provided externally and therefore did not include review of services at either Greyfriars or Rio House.

## Acknowledgements

Internal Audit acknowledges with thanks the co-operation of Commissioned Services and Homelessness officers from Housing and Community Care 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

## Internal Audit Report

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 the adequacy of contracts with service providers.	
<p>Auditor's Comments:</p> <p>Temporary Accommodation arrangements are focussed on three voluntary agencies with whom the Council has Service Level Agreements (SLAs) or a Supporting People Contract. There is scope for rationalisation of these SLAs as different written agreements were found to be in place for each of the providers depending on the historical funding stream. It was noted, however, that the service specifications for one of the SLAs and the contract for the Supporting People Grant were found to have minimal information of the services required, in particular in relation to expected outcomes for service users. The level of detail on the written agreements was found to be inversely proportional to the value of the agreement.</p> <p>In accordance with the Council's Contract Rules for Procurement of Social Work Services, the procurement of Temporary Accommodation does not need to be subject to formal tendering processes. These rules however, require to be updated to reflect current practices and structures. The Contract Rules for Social Work Services are however, consistent with Public Contracts (Scotland) Regulations 2006 in that they are Part B services which apply to Health and Social Work provision. The Council's reliance on Bed and Breakfast Accommodation has been reducing over the past year in line with the Council's Homelessness Strategy and therefore arrangements for the procurement of Bed And Breakfast accommodation are subject to spot purchasing rather than long term contractual arrangements in order that the Council's resources are not tied up in contracts to retain services.</p> <p>Procurement (of temporary accommodation services) is also subject to the Commissioning Strategy which sets out the priorities and objectives of the Service with regard to providing adequate arrangements for clients with regard to assessed housing and social care needs and the current arrangements are in accordance with the strategy.</p> <p>Where services are provided by external bodies and are funded by grant or under an SLA, the arrangements are subject to the Code of Guidance for Funding External Bodies and Following the Public Pound (FPP). The Code of Guidance, which was approved by Strategic Policy and Resources Committee in 2009, is however not being followed in respect of the requirement that the relevant Council Committee approve payments of over £50,000 made to voluntary organisations.</p>	
Strength of Internal Controls:	Moderate

Control Objective: To ensure the management arrangements are in place to confirm the fulfilment of the contracts.

## Internal Audit Report

### Auditor's Comments:

The Contracts and Commissioning Team Guide clearly states the responsibilities for monitoring of independent sector providers and describes the framework of documents around which monitoring activity takes place.

The Team Guide states that an annual risk assessment is to be carried out and this is consistent with the Code of Guidance on Funding of External Bodies and Following the Public Pound. The files of service providers were found however to hold one undated risk assessment each and therefore the dates of the assessments could not be established.

No records are held in the relevant files of monitoring activities of the SLAs/contracts using the Monitoring Toolkit, since the full reviews of the services provided which were completed in 2008 and 2009. Records were maintained on file however, of other contacts, meetings and correspondence.

Registered B&B establishments are subject to ongoing monitoring to ensure legal certification compliance and are inspected annually to ensure compliance with published B&B standards. Records of all visits are maintained.

Strength of Internal Controls:

Moderate

Control Objective: To ensure the monitoring and reporting of performance.

### Auditor's Comments:

Progress on achievement of the objectives of the Homelessness Strategy was presented to Housing & Health Committee in August 2011. This showed good progress in the reduction in reliance on Bed & Breakfast Accommodation for clients presenting as homeless which continues.

A holistic approach is used within the Service for monitoring commissioned services, with officers from across Housing and Community Care together with external providers meeting to ensure that the services provided meet the needs of both the Service (in terms of meeting the objectives of the Homeless Strategy) and its clients. Representatives in the Homeless Strategy Implementation Group include the Service's Homeless Services Manager and the Planning and Commissioning Manager together with leading Service managers covering Health, Youth Services and Welfare Rights in addition to the managers of the Services commissioned.

Although Senior Management Team are presented with budget monitoring reports, no reports have been submitted to Senior Management Team or Purchased Service Board regarding the outcomes for service users of commissioned Temporary Accommodation Services.

Monitoring reports have not been presented to Housing and Health Committee, on work done by voluntary organisations providing temporary accommodation, which is contrary to the Code of Guidance for Funding External Bodies and Following the

## Internal Audit Report

Public Pound, since approval of the Code in December 2009.	
Strength of Internal Controls:	Moderate

### 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.

Appendix 3 lists minor points of non-compliance. These findings do not form part of the Action Plan and are considered to be attached to very low risk. They were drawn to the attention of management during the audit, and will only be followed up as part of a subsequent audit.

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 report has been distributed to:

B Malone, Chief Executive

J Irons, Depute Chief Executive

D Burke, Executive Director (Housing & Community Care)

J Walker, Depute Director (Housing, Community Care & Finance)

L Cameron, Head of Housing & Strategic Commissioning

## Internal Audit Report

S Rankin, Planning & Commissioning Manager

G Peters, Team Leader – Contracts and Commissioning

C Mailer, Allocation & Homeless Manager

P Dickson, Complaints & Governance Officer

M Kay, Senior Committee Officer

External Audit

### Authorisation

The auditor for this assignment was A Gallacher. The supervising auditors were S Logun and D Farquhar.

This report is authorised for issue:

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Jacqueline Clark  
Chief Internal Auditor  
Date: 8 June 2012

## Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Contract Rules for Social Work Services	Low
2	Commissioning Strategy 2010/2011	Low
3	Service Level Agreements / Contracts	High
4	Confidentiality, Privacy and Freedom of Information	Low
5	Committee Approval	Medium
6	Housing Support	Medium
7	Contract Monitoring Toolkit	Medium
8	Risk Assessments	Medium
9	Monitoring Records	Low
10	Monitoring and Annual Reports	Medium





## Appendix 2: Action Plan

### Action Point 1 - Contract Rules for Social Work Services

The Council's Contract Rules for Social Work Services take into account the different approach which may be used for the procurement of certain types of services under the Public Contracts (Scotland) Regulations 2006. This applies to relevant community care support services whose continuity is paramount due to the impact that withdrawal would have on service users.

The Contract Rules for the Procurement of Social Work Services (applicable to both Housing & Community Care and Education & Children's Services) require to be updated in respect of the structures of both Services. In addition, these rules were last approved in 2006, since when changes have been made in the overall procurement framework of the Council.

Furthermore, these rules are not currently available on the Council's intranet Procurement pages.

### Management Action Plan

Contract Rules for the procurement of Social Work Services will be revised in conjunction with the Procurement Manager, for inclusion on the intranet's procurement pages.

Importance:	Low
Responsible Officer:	G Peters, Contracts and Commissioning Team Leader
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	October 2012
Required Evidence of Completion:	Revised contract rules reflecting current structures on intranet procurement pages

### Auditor's Comments

Satisfactory

## Action Point 2 - Commissioning Strategy 2010/2011

The Housing and Community Care Commissioning Strategy 2010/2011 was agreed by Housing and Health Committee in May 2010. The accompanying report asked the Committee to note and approve its contents only and there is no recommendation to report on its effectiveness and progress to the Committee. There has been no subsequent report to Housing & Health Committee regarding the success of the services purchased under the strategy or a continuation of the Strategy for subsequent years.

It is noted that report to the Committee on 2 November 2011 on Self-directed Support notes that in order to reshape delivery mechanisms a revised purchasing and commissioning strategy is required. Management stated that the approved review of Procurement arrangements relating to Self-directed support may result in different commissioning approaches as a consequence of changes in pattern of purchasing.

### Management Action Plan

The planned integration of Community Care and Health, in line with Scottish Government policy direction, will result in an initial joint commissioning strategy for all client groups which will be brought forward in 2013.

There will be a review of purchasing arrangements for a pilot of services for older people which will inform future commissioning.

Importance:	Low
Responsible Officer:	G Peters, Contracts and Commissioning Team Leader
Lead Service:	Housing and Community Care
Date for Completion (Month / Year):	March 2013
Required Evidence of Completion:	Initial Joint Commissioning Strategy for Older People

### Auditor's Comments

Satisfactory

### Action Point 3 - Service Level Agreements / Contracts

There is inconsistency in the contractual arrangements for commissioning services for temporary accommodation from the three major providers.

Service Level Agreements are in place for two of the three voluntary sector providers for temporary accommodation to homeless persons, the third being the subject of a Supporting People Grant. Of those with Service Level Agreements the first of the providers has, as the detail of the service specification, one five-line paragraph stating that the agency will provide direct access emergency accommodation for a certain number of clients who would be forced to sleep rough.

The Service Specification of the Service Level Agreement for the other provider is recorded over six pages and includes expected long-term outcomes for the clients and the performance measures to be used for evaluation of the provider. This is consistent with the Council's Homelessness and Commissioning Strategies which state that temporary housing provided to homeless clients should meet their needs and that the services should be shaped by the full participation of Service users and other stakeholders.

The Supporting People Contract details the service to be provided in respect of housing support services rather than the provision of accommodation, in 21 words.

In addition to the SLAs and the Supporting People Contract, Joint Working Agreements have also been put in place for two of the three providers (those with the less detailed agreements) and Homeless Services during 2011/12. These two agreements, which supplement the above arrangements, provide further details to ensure that clients who access services are eligible and provide a framework for operations and monitoring of the service reporting to Housing Support Services. The performance measures refer to occupancy levels, number of referrals and the length of stay for clients. They do not, however, measure or require reporting of representations or outcomes for service users.

### Management Action Plan

Contractual arrangements will be consolidated for the three organisations under review to ensure that the service specification details outcomes for service users as part of a general development towards outcomes-based commissioning.

Importance:	High
Responsible Officer:	G Peters, Contracts and Commissioning Team Leader
Lead Service:	Housing and Community Care
Date for Completion (Month / Year):	December 2012

## Internal Audit Report

Required Evidence of Completion:	Revised Service Level Agreements for 2 providers
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### Auditor's Comments

Satisfactory
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## Action Point 4 - Confidentiality, Privacy and Freedom of Information

In contrast to the agreement for the third provider, the agreements with other two providers do not record any reference to Confidentiality or Freedom of Information Act. None of the agreements (SLA or Supporting People Grant award) makes reference to any standards of privacy to be expected by clients nor limitations to such expectations (e.g. in the interests of the clients own or others' safety).

Although the Joint Partnership Agreements refer to existing confidentiality agreements, there is no evidence in the requirements of the SLA or Supporting People Contract of these nor are they included in monitoring files.

### Management Action Plan

As Action Point 3, the revisions of the contracts/ Service Level Agreements will include reference to confidentiality, privacy and freedom of information.

Importance:	Low
Responsible Officer:	G Peters, Contracts and Commissioning Team Leader
Lead Service:	Housing and Community Care
Date for Completion (Month / Year):	December 2012
Required Evidence of Completion:	Revised Service Level Agreements / Contracts

### Auditor's Comments

Satisfactory

## Action Point 5 - Committee Approval

The Council's Code of Guidance for Funding External Bodies and Following the Public Pound sets out the governance arrangements for payments to voluntary organisations. The Code (approved by Strategic Policy and Resources Committee on 2 December 2009) requires that where funding in excess of £50,000 is provided to voluntary organisations, approval must be made by the relevant Council Committee. This is consistent with Audit Scotland's recommendation that the Code makes it clear that it is the responsibility of each Executive Director to ensure proper accountability for public funds which have been provided from Service budgets to outside organisations.

Whilst the Commissioning and Contracts Team Guide states that the Purchased Service Board has responsibility to ensure compliance with Following the Public Pound, since 2009, no reports presented to Housing And Health Committee have requested their approval for funding of the three voluntary organisations who provide Temporary Accommodation.

## Management Action Plan

An Annual Report will be taken to the Housing & Health Committee detailing contract and SLA funding awards in line with the Council's approved budget. The timing of this will be at a Housing & Health Committee following the approval of the Council's budget in February each year.

Importance:	Medium
Responsible Officer:	L. Cameron, Head of Housing and Strategic Commissioning
Lead Service:	Housing and Community Care
Date for Completion (Month / Year):	February 2013
Required Evidence of Completion:	Report presented to Housing and Health Committee

## Auditor's Comments

Satisfactory

## Action Point 6 - Housing Support

Supporting People funding is used by all of the organisations under review, in two cases in addition to Service Level Agreements and in one case the entire funding used for the temporary accommodation and housing support is described as Supporting People finance.

Between 2003 and 2008 ring-fenced funding for Housing Support was provided to Councils by the then Scottish Executive under the description Supporting People. This ensured that the funding was used by Councils specifically to enable vulnerable adults sustain tenancies. Following the election of the Scottish Government (2007) and the settlement with Councils based on the concordat, finance for many specific aspects of local authority operations was included in the general settlement and the granting of funds to be specifically used for named purposes was in many cases ended. Amongst those purposes was Housing Support.

In Council documents these arrangements are described variously as “Funding”, “Contract”, and “Grant”. These descriptions reflect a historical situation and not the comprehensive budget and funding arrangements currently in place. Supporting People payments are not included in the annual report on Following the Public pound nor are they subject to any of the approval or reporting processes in compliance with the Code of Guidance. Management stated that the difference arose from funding which recovered full costs (e.g. organisations were not expected to provide funding from their own resources) rather than SLAs where the joint funding of the operation with the organisation’s own resources was expected. Of the three organisations under review one is funded solely through “Supporting People Contract” although the Grant amount is supplemented by the organisation’s own resources.

## Management Action Plan

As Action Point 3. There will be consolidation of Service Level Agreements / Contracts Service Level Agreements, after consultation with providers.

Importance:	Medium
Responsible Officer:	G Peters, Contracts and Commissioning Team Leader
Lead Service:	Housing and Community Care
Date for Completion (Month / Year):	December 2012
Required Evidence of Completion:	Revised Service Level Agreements / Contracts

## Auditor’s Comments

Satisfactory

## Action Point 7 - Contract Monitoring Toolkit - Finance

The Contracts and Commissioning Team Guide sets out the process of monitoring the wide range of services commissioned by the Commissioning and Contracts Team. The Guide provides for a framework which is not prescriptive but is able to provide assurance on the basis of perceived risk. The Guide states that it is “consistent with the overall approach to ensuring that it effectively scrutinises the use of public funds encompassed in the Following the Public Pound Guidance.”

The Finance Section of the toolkit addresses only Income and Expenditure and the funding level and not the organisation’s balance sheet (i.e. capacity to withstand shortfalls in income). This section of the Toolkit is inconsistent with the requirements set out in the Code of Guidance for External Funding and Following the Public Pound particularly for organisations whose annual funding is in excess of £50,000, which applies to the three voluntary organisations under review.

### Management Action Plan

The monitoring toolkit will be enhanced to include Finance in line with the Following the Public Pound guidance.

Importance:	Medium
Responsible Officer:	G Peters, Contracts and Commissioning Team Leader
Lead Service:	Housing and Community Care
Date for Completion (Month / Year):	June 2012
Required Evidence of Completion:	Revised toolkit including enhanced section on finance

### Auditor’s Comments

Satisfactory



## Action Point 8 - Risk Assessments

Risk Assessments are used by Monitoring Officers in order to prioritise the workload of the Team thereby not engaging in monitoring activity which would be onerous where the risks presented (of non or poor service ) are minimal. The Risk Assessment framework focussed on quality measures which does not reflect the risk basis (based on financial exposure) described in the Code of Guidance for Funding External Organisations and Following the Public Pound.

Although the Team Guide states that Risk Assessment is an annual process the Monitoring Officer stated that this has not been undertaken. Evidence used in completion of Risk Assessment Matrices is not documented by the Monitoring Officer on the form and none of the Risk Assessment Forms reviewed were dated.

## Management Action Plan

Risk matrices will be further developed to ensure that they are consistent with the Following the Public Pound framework together with best practice in social care scrutiny.

Importance:	Medium
Responsible Officer:	G Peters, Contracts and Commissioning Team Leader
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	October 2012
Required Evidence of Completion:	Revised Risk Assessments

## Auditor's Comments

Satisfactory

## Action Point 9 - Monitoring Records

While records of contacts and reports by external agencies are maintained, no records of monitoring activity using the Contract Monitoring Toolkit were held on file since 2009. The Monitoring Officer stated that appropriate sections of the Toolkit are used although there is no evidence to support this assertion.

In accordance with the Team Guide, the level of monitoring required following Risk Assessment directs the monitoring activity and the type of report. The Team Guide requires the production of reports depending on the purpose of the monitoring viz. annual summary, monitoring or review reports. The most recent reports for the services under review were review reports in 2008 and 2009.

## Management Action Plan

1. There will be further development of the monitoring approach to ensure that specific monitoring activity is recorded. The Team Guide will be clarified to ensure that more robust recording is implemented.
2. An Annual Summary Report is produced based on available evidence and officer intelligence.

Importance:	Low
Responsible Officer:	G Peters, Contracts and Commissioning Team Leader
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	1. June 2012 2. August 2012
Required Evidence of Completion:	1. Revised Team Guide 2. Annual Summary Report

## Auditor's Comments

Satisfactory

## Action Point 10 - Monitoring and Annual Reports

In addition to approval for funding being provided by the relevant Council Committee, the Code of Guidance for Funding External Organisations and Following the Public Pound requires that monitoring reports are to be provided to the relevant Committee at six-monthly intervals. There have been no reports to Housing & Health Committee regarding the monitoring at 6-monthly or annual periods since the approval of the Code in December 2009.

Committee reports on Tenders Accepted and Works Awarded Under Delegated Powers presented to Housing & Health committee note that "Service Level Agreements with voluntary agencies for the service are reported as part of the Annual Report for Following the Public Pound" but this does not acknowledge that the Service is required to bring to the Committee those details for Committee approval, 6-monthly monitoring and annual report.

The Team Guide for Monitoring Officers states that the Purchased Service Board should provide a mechanism to inform Housing and Health Committee but there is no more detail as to how this process will be achieved.

### Management Action Plan

- a) An Annual Report will be taken to the Housing & Health Committee detailing contract monitoring activity reports.
- b) The requirement to present 6-monthly reports to Committee regarding monitoring activity of Service Level Agreements will be raised at Policy & Governance Group as this presents an onerous pressure on resources within the Service.

Importance:	Medium
Responsible Officer:	S Rankin, Planning and Commissioning Manager
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	a) February 2013 b) January 2013
Required Evidence of Completion:	a) Report to Housing & Health Committee b) Minuted decision of Policy and Governance Group

### Auditor's Comments

Satisfactory

### Appendix 3: Minor Points of Non-compliance

1. Due to a transposition error, one of the providers has been paid an amount £180 in excess of the Service Level Agreement, in both 2010/11 & 2011/12. The SLA amount rather than the actual amount was reported in the Annual Report for following the Public Pound for 2010/11.
2. The Monitoring Toolkit Index includes sections 1.15 Risk Management and & 1.16 Environment, yet the Toolkit has no content in these sections.