		Agenda Item	**17**
		Report No	**FHR/ 130/13**

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The Highland Council

Finance, Housing and Resources Committee – 9 October 2013

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Internal Audit Reports

Report by Interim Director of Housing and Property

Summary

This report informs Members on the objectives and findings of Audit Reports presented to the Audit and Scrutiny Committee on 26 September 2013, and updates them on progress against the Action Plans.

1.   Background

1.1   The Audit and Scrutiny Committee considered the following Internal Audit Reports at their meeting on 26 September 2013
   - Housing Rents
   - Housing Stores/Repairs and Maintenance

1.2   This report sets out the objectives and main findings of the audits and informs members of progress with the Action Plans, which are contained in **Appendix A**.

2.   Housing Rents

2.1   The audit reviewed the controls in operation for housing rents, reviewing transactions within the 2012/2013 financial year, to ensure that:
   - Relevant properties are identified and included on the rent roll
   - Rent charges are properly raised for all relevant properties in accordance with rent levels and other charges set by the Council
   - Payments received are promptly processed and correctly posted to tenants' accounts
   - Write offs, rebates, refunds and voids are properly controlled
   - Arrears follow-up procedures are properly controlled
   - Rent charges are correctly recorded in the rent accounting system and financial ledger

2.2   The audit concluded that policies and procedures in relation to housing rents are well documented and can be accessed by all staff.

2.3   The main concerns identified from the audit relate to the lack of documentation to evidence testing of rent increases, and the failure to notify the Housing and Property Systems Support and Development Team when users no longer require access to the HIS.

2.4   The other issues identified in the audit are more minor in nature. There are 7 recommendations within the report, 2 which have been classified as medium priority with the remaining 5 classified as low priority.

2.5 The recommendations have been accepted by management and progress is being made to complete implementation of all the agreed actions by end March 2014.

3. Housing Stores/Repairs and Maintenance

3.1 Two audits into Housing Stores and Housing Repairs and Maintenance were carried out in conjunction, to ensure that
- There are appropriate controls over the issue of stock items from Housing and Property Stores
- There are appropriate controls over repairs and maintenance carried out by the Housing and Property Service.

3.3 The audit concluded that there is an effective system in place to ensure that stores issues can be traced to both the tradesperson issued with items, and the job on which the items were used.

3.4 However areas for improvement in respect of variations and inspections have been identified. This has been recognised by the Service which identified some of the areas for improvement through their own performance monitoring, and initiated work to improve processes. This is therefore reflected in the audit opinion.

3.5 The audit contains 4 recommendations, 3 of which are categorised as medium priority, while the remaining recommendation is low priority.

3.6 The recommendations have been accepted by management and progress is being made to complete implementation of all the agreed actions by end March 2014.

4. Implications

4.1 There are no Resource, Legal, Equalities, Climate Change/Carbon Clever and Risk implications arising from this report.

5. Recommendation

5.1 Members are invited to note the findings of the Audit Reports presented to the Audit and Scrutiny Committee on 26 September 2013 and the action being taken to implement the recommendations.

Designation: Interim Director of Housing and Property

Date: 26 September 2013

HOUSING RENTS AUDIT 2013 - ACTION PLAN

The Action Plan contains **7** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	2
Minor issues that are not critical but managers should address.	Low	5
Total recommendations		**7**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.1.3	Low	No supporting documentation could be provided for 2 property closures (1 right to buy and 1 temporary furnished accommodation). Evidence of the sale of the first property was later obtained and it was suggested that the second property had reached the end of the leasing contract but there was no evidence to support this. The wrong closure date was entered on the HIS for 1 property which resulted in the void period being overstated by 13 days.	(1) Documentation should be retained to support all property closures within HIS. Where homeless accommodation properties are closed following retendering, a summary of the properties closed should be retained, with reference to it within the notes field in HIS. (2) Staff should be reminded of the importance of correctly recording the property closure date.	Reinforce procedures with area housing staff in relation to property closure. As above.	Head of Housing	31/10/13

| REPORT REF. | GRADE | FINDING | RECOMMENDATION | MANAGEMENT AGREED ACTION | IMPLEMENTATION | |
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2	Medium	No documentation was retained for sample checks performed to verify that an appropriate sample had been selected and that rent increases had been correctly applied. Therefore it could not be confirmed which properties had been checked, or that any errors identified had been satisfactorily addressed.	As part of the annual sample of rent increases, documentation detailing which properties were checked, including the results of the checks performed should be retained. The overall sample percentage checked should also be recorded. This would provide evidence of the checks undertaken, and assurance that the Council approved rent increases have been accurately applied.	To establish a record of quality assurance in relation to rent increase at year end.	Business Systems Manager	28/02/14
3.2.3	Low	Documentation was not received for 1 of the tenancy changes within the timescale set for this audit. Documentation for a further tenancy change could not be located within the timescale following archiving as part of an office move. It is accepted that in both instances the documentation could be located if necessary. No documentation was held for 1 tenancy change which arose from a mutual exchange.	Sufficient documentation should be retained to ensure that the accuracy of tenancy changes recorded in HIS, including mutual exchanges, can be verified.	Reinforce policy and procedures with area based housing staff in relation to tenancy changes.	Head of Housing	31/10/13

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.4.2	Medium	It was confirmed that 3 of the 30 HIS users examined no longer required system access, and these user accounts have now been locked. Further review of 13 of the 30 users where it was unclear if they should have access to HIS confirmed that 12 of the users still required access to HIS. The remaining user had their account locked.	(1) Services whose staff have access to the Housing Information System should be reminded of the need to inform the Housing & Property Systems Support & Development (SSAD) Team when a user no longer requires access to the system.	Develop guidance for Services indicating requirements to notify SSAD team when change occurs to user requirements. A process is in place for leavers.	Business Systems Manager	30/09/13
			(2) Consideration should also be given to issuing an annual user list to each Service for the purposes of confirming the appropriateness of user access.	An annual list will be distributed to Service Support Managers (or equivalent) for clarification on user access requirements.	Business Systems Manager	31/03/14
3.4.3	Low	There is an inconsistency between the Council's Financial Regulations which lists the Income & Recovery Manager as being permitted to write-off debts up to £1,000. However, the Scheme of Delegation refers to "relevant Exchequer Operational Managers" as having the authority to write-off debt up to £1,000, which would suggest that the Exchequer Manager (Policy and Development) has the necessary authority for the debt which has been approved for write-off.	The references within the Council's Financial Regulations and Scheme of Delegation to which officers can approve debts below £1,000 for write-off should be reviewed to ensure that authority is clearly and consistently stated in both documents. The Scheme of Delegation will also be amended in order to specify the "relevant" officers as the Income & Recovery Manager, Exchequer Operations Manager and Exchequer Policy and Development Manager.	At the next review, Financial Regulations will be amended to ensure consistency with the Scheme of Delegation.	Head of Exchequer/ Head of Internal Audit & Risk Management	31/12/13

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.4.4	Low	Two of the 30 refund payments examined (totalling £69.79 and £320.97) did not have evidence of checks performed to ensure the tenant did not owe money to the Council before the refund was paid. Both refunds related to properties in Caithness.	All refunds should include evidence that the tenant's entitlement to the refund has been verified before the payment has been processed.	Reinforce procedure with area based housing staff in relation to refunds.	Head of Housing	31/10/13
3.5.2	Low	Four of the 8 accounts where recovery action had been suspended did not detail the reason for the recovery action for the suspension. All of these related to the same tenant and in each case the suspend action was processed by the same officer.	Staff should be reminded that a reason should always be recorded in the Housing Information System when recovery action is suspended.	Reinforce procedure with area based housing staff in relation to recording information on HIS.	Head of Housing	31/10/13

HOUSING STORES/REPAIRS AND MAINTENANCE ACTION PLAN

The Action Plan contains **4** recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	0
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	3
Minor issues that are not critical but managers should address.	Low	1
Total recommendations		**4**

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.1.2	Low	The reason for items returned was not recorded on any of the stores returns examined, while the operative returning the stores items was not recorded for 18 of the 67 jobs (these 18 jobs were stores returns to either the Inverness or Wick stores).	The reason for an item being returned and the operative returning the item should be recorded for all stores transaction to provide a full overview of the transaction.	The handset can be used to record who returned the item. A call will be logged with TOTAL Mobile to investigate if a change to the system can be made so that a reason code can be added. If this is not possible alternative solutions will be sought.	Maintenance and Service Support Manager	31/10/13
3.2.1	Medium	Authorisation of variations to the planned work is not evidenced as it is obtained verbally. It is accepted that there are practical reasons for this arrangement, particularly in instances where it enables the tradesperson to complete the repair during the initial visit. The process for monitoring variations is currently being reviewed by the Building Maintenance Manager (North) with a view to improving the robustness of the process and ensuring consistency across all Areas.	(1) Formal guidance should be introduced over authorisation of variances which defines where variances are considered minor, and outlines the level of authorisation required for the anticipated value of a variance. (2) Where possible, evidence of authorisation should be recorded. When authorisation is provided by telephone, the tradesperson should record the name of the approving officer and the date on which approval was given.	Guidance will be developed to define when a variance requires authorisation, who should approve the request to vary the work order and how this will be recorded.	Maintenance and Service Support Manager	31/12/13

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.2	Medium	The reasons for variations recorded on the Inverness Building Maintenance monitoring report were recorded accurately. However the report identified that 6 of the 15 variances investigated arose as a result of the wrong code being used when the initial fault was reported. The remaining 9 variances resulted from additional work being required. Greater accuracy when recording the work required when initially reported would reduce the level of variations. Monitoring is also undertaken by an Accountant who summarises the financial effect of variances for each Area against a number of cost types (e.g. day to day repairs, voids etc.). The reported variances ranged from 0.72% (actual cost of £2,061,117.08 against expected cost of £2,046,329.30) for Caithness to 26.89% (actual cost of £2,897,729.47 against expected cost of £2,283,664.46) for Inverness.	The procedures followed in different Areas should be reviewed to establish if there are areas of good practice within areas showing low levels of variations which could be adopted across all areas to reduce the level of variations.	Guidance to be reviewed and reissued to staff involved in raising works orders (Service Centre and Housing & Property). This will incorporate the elements of good practice highlighted in the audit.	Maintenance and Service Support Manager	31/12/13

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION RESPONSIBLE OFFICER	TARGET DATE
3.2.3	Medium	Only 2.35% of repairs resulted in inspections during the period examined. In addition, there is no guidance in place that would help to ensure that a consistent approach is taken when selecting jobs for inspection.	Guidance should be introduced which clearly states the level of inspections to be carried out, the means of selecting which jobs should be inspected, and the process to be followed when conducting the inspection.	10% of jobs will be inspected in terms of Health & Safety and quality of works. The sample will be based on an assessment of the risk of the activity and guidance will be developed to ensure a consistent approach is taken in selecting jobs to be inspected. Templates will be developed to ensure consistency when undertaking inspections, and recording set up to monitor and evaluate results.	Maintenance and Service Support Manager	31/03/14