
Date: 9th May 2014
To: Anita Pathak-Mould Head of Community
Cc:
From: Tim Ridout Chief Auditor
Re: **Internal Audit Follow Up Review – Housing Responsive Repairs**

Dear Anita,

As part of the 2012/13 Internal Audit Plan, a review of Housing Responsive Repairs was undertaken and a limited assurance level provided. As a consequence it was agreed by the Finance, Policy and Development Committee that we would undertake a follow up review during early 2013/14 to assess the progress made by management against the actions agreed in relation to the audit. As progress was still to be made, it was decided to revisit the situation in March 2014.

This letter sets out the findings and conclusions in relation to the second follow up review.

Background

The audit undertaken during October 2012 highlighted weaknesses in the design or operation of controls as follows:

- Inadequate management information and budgetary control
- Over reliance upon temporary contract staff
- No schedule of rates being used or costs obtained prior to allocating jobs to contractors
- No listing of approved contractors from which tenders or quotations can be obtained
- Lack of evidence to support approval of jobs prior to allocating to contractors

- No guidance in relation to taking calls and ascertaining problems along with responsibility for rectifying
- Minimal pre and post inspections being performed
- Inadequate performance and contract management arrangements in place for all contractors including gas servicing
- No policy or process in place for tenant recharges
- Lack of clarity in relation to processes for potential insurance claims
- Incorrect recording of capital and revenue expenditure upon Orchard
- Inadequate policies and procedures in place for housing repairs
- Customer satisfaction is not being monitored
- The following issues were also highlighted during the audit and we were advised, urgently addressed by management:
 - Gas safety certificates were not being provided by the contractor
 - Gas safety procedures were not being fully complied with.

Scope and coverage

The overall objective of the audit was to provide assurance on the level of implementation by management of actions agreed in relation to the audit.

Findings

At the time of the previous follow up review in May 2013, it was agreed that a further follow up audit would be carried out in March 2014 to ensure action taken had been fully completed and embedded. A number of the areas were dependent on the Orchard system upgrade and the implementation of the interface with the Integra system which has been delayed due to problems gaining administrative support and is due to go live in June 2014. However, it was noted that a number of areas had not been completed and embedded as anticipated.

The table below shows the status of agreed actions.

Summary	1 Critical	2 High	3 Medium	4 Low	Total
Recommendations Made	-	10	8	-	18
Implemented	-	3	4	-	7
Substantially Implemented	-	1	1	-	2
In progress but not complete	-	4	1	-	5
Outstanding	-	2	2	-	4

Conclusion

From discussions with staff and testing of processes put in place, we are able to confirm that action has been taken to progress/embed all of the recommendations made following the audit, however, there is still progress to be made, most notably in the use of the Orchard system, market testing of contractors and gas safety inspections.

It is recommended that a further review be carried out following the Orchard upgrade in Q2 2014/15.

If you would like to discuss further please do not hesitate to contact me.

Yours sincerely

Tim Ridout
Chief Internal Auditor

Appendix one

Expected Control	Recommendation	Risk Ranking	Position as at March 2014	Revised implementation date & Management comment
<u>1.1 - Budgetary Control</u>	<p>Management should ensure that timely and accurate management information in relation to housing repairs is being produced and monitored by the housing repairs team.</p> <p>Formal orders should be raised or schedule of rates implemented so that management are able to monitor committed spend and the value of any work in progress.</p>	2	<u>Partly implemented</u> Monthly budget monitoring meetings, however the Orchard system cannot be used to monitor commitments as the true value of orders raised are not always entered onto the system.	<p><u>June 2014</u> Managers decided it was impractical to seek to fully implement in the old system that did not facilitate this and have therefore been working on the new system and long term solution.</p> <p>Interface and Orchard upgrade due to be completed in June 2014.</p>
<u>3.1 - Housing repairs contractors</u>	Management should review the use of existing contractors and consider market testing to ensure that it is getting value for money from their services.	2	<u>Partly implemented/In progress</u> A procurement and market testing timetable has been produced but is yet to be finalised and approved.	<u>December 2014</u> All these contractors have at some point been approved within the councils systems to join this list and be put on Orchard. The current team has widened use within the list and made limited (mainly specialist) additions. It has also removed contractors who have gone out of business.
<u>3.2 - Tenders/quotations</u>	Consideration should be given to setting up a list of approved contractors from which tenders/quotations can be obtained.	3	<u>Partly implemented/in progress</u> See above 3.1.	<u>December 2014</u>
<u>3.3 - Orchard job order</u>	The housing repairs team should consider implementing a schedule of rates that can be used when allocating typical works to contractors or where possible obtaining quotes prior to work being allocated.	3	<u>Substantially implemented</u> Schedules of rates have been entered onto the system for the majority of contractors.	<p><u>June 2014</u> Managers decided it was impractical to seek to fully implement in the old system that did not facilitate this and have therefore been working on the new system and long term solution. Interface and Orchard upgrade due to be completed in June 2014.</p>
<u>4.1 - Authorisation of housing repairs</u>	Management should ensure that parameters are set up within Orchard for repairs that require authorisation prior to job tickets being raised and issued to contractors.	2	<u>Implemented</u> Manual system still in place pending the Orchard upgrade. All orders authorised by the Property Manager.	<p><u>June 2014</u> Interface and Orchard upgrade due to be completed in June 2014</p>

Expected Control	Recommendation	Risk Ranking	Position as at March 2014	Revised implementation date & Management comment
<u>4.2 - Taking housing repair calls</u>	Guidance notes and training should be provided to operators in order to assist them when taking calls and ensuring that they ask the necessary questions of the tenant to ascertain the nature, cause and extent of the problem along with responsibility for putting right. Adequate information in relation to the repair should also be recorded upon Orchard to support the decision taken in respect of the call.	2	<u>Partly implemented</u> The guidance and priorities have been redrafted pending the orchard upgrade.	<u>June 2014</u> Interface and Orchard upgrade due to be completed in June 2014
<u>5.1 -Pre and Post inspections</u>	Clear guidance needs to be in place setting out the basis upon which pre and post inspections should be performed. Any post inspection of work should also be undertaken prior to the contractor being paid for the work undertaken.	2	<u>Substantially implemented</u> Guidance produced. Sample testing showed that although post inspections were carried out these had been carried out after payment had been made.	<u>June 2014</u> Interface and Orchard upgrade due to be completed in June 2014. Random system generated inspections are to be introduced as part of the Orchard upgrade work due to be complete in June 2014.
<u>5.2 - Performance against repair targets</u>	Management should ensure that it is monitoring the overall performance of its contractors against agreed targets. Any requests from contractors to amend target completion dates should be approved by a surveyor prior to Orchard being updated and a process for validating completion dates provided introduced.	3	<u>Not Implemented</u> No evidence of performance management against targets. Actual completion dates are not always known.	<u>June 2014</u> Interface and Orchard upgrade due to be completed in June 2014. Contractors will be reminded of their responsibilities in this respect when written to about the implications of Orchard upgrade. At that time they will be required to notify us separately of completion dates as and when completed not at time of invoice.
<u>7.1 - Recharge policy</u>	The Council should consider setting out a formal tenant recharge policy and provide training upon this to housing repairs staff, so that tenants are clearly made aware that they may be recharged for certain types of repairs when they report a problem or are about to vacate a property. A clear process for raising recharges and chasing debt should also be in place.	3	<u>Implemented</u> Tenant recharge policy produced.	
<u>8.1 - Insurance claims</u>	Management should ensure that a procedure is put into place that sets out what work should be claimed through the Councils insurance arrangements along with the process for making claims.	3	<u>Implemented</u> Procedure produced.	

Expected Control	Recommendation	Risk Ranking	Position as at March 2014	Revised implementation date & Management comment
<u>9.1 - Gas safety performance and contract management</u>	Management should ensure that robust performance and contract management arrangements are put into place for the gas servicing contract with Lovells. The level of service, compliance with contractual conditions and overall costs should all be monitored as part of these.	2	<u>Not implemented</u> A spreadsheet has been developed to allow performance monitoring, however, since December 2013 it would appear that inspections are running late, and at the date of the audit 119/1235 were overdue (one being 12 months overdue). A meeting has been arranged with the contractor to discuss.	<u>End April 2014</u> At the meeting Lovell's acknowledged a high proportion of the services were being completed anything from a few days to a month late. They also acknowledged that there was a large spike in the number of services due in April tailing off a bit in May before numbers then become much lower over the summer. They committed to increase resources and number of services completed per operative per day to get back on track by the end of April.
<u>9.2 - Gas safety certificates</u>	Management should liaise with the contractor and ensure that gas safety certificates are forwarded to the Council soon after the safety check has been completed. A process should also be put into place to ensure that gas safety records are updated for any checks performed as part of void work to ensure that future tests are not performed too early.	2	<u>Implemented</u> Certificates are forwarded to the Council on a timely basis along with the relevant invoices.	
<u>9.3 - Gas safety no access letters</u>	Management should ensure that evidence is retained on file of all attempts made to notify the tenant of access being required in order to undertake a gas safety inspection. In addition adequate cover should be in place to deal with the daily information sent by the contractor in relation to properties where access cannot be made.	3	<u>Not implemented</u> The contractor is responsible for sending out letters. No evidence retained on file. Not noted on the spreadsheet where contractors have not been able to gain access.	<u>April 2014</u> The spreadsheet will be completed fully from 1 st April 2014 and procedures followed more closely once all teams up to full strength.
<u>9.4 - Gas safety testing</u>	a) Management should ensure that adequate contract and performance monitoring arrangements are in place over the gas safety contract with Lovells. b) Where access has not been possible, the housing officers should escalate attempts to access properties in line with Council procedure. c) The gas safety administrator should advise housing officers of any changes on a weekly basis.	2	<u>Not implemented</u> See 9.1 above.	<u>End April 2014 – see 9.1 above</u>

Expected Control	Recommendation	Risk Ranking	Position as at March 2014	Revised implementation date & Management comment
<u>11.1 - Staffing</u>	Management should seek to place less reliance upon temporary contract staff and undertake a robust recruitment process to appoint to the post of Senior Property Services Officer. This officer will play a key role in driving change and improving the overall control environment within housing repairs.	2	<u>Implemented</u> Key staff now in place although there is still a temporary officer (Adam) and a vacancy at Adam's level: John Stemp – Property Manager Pat Beresford - Team Assistant Don Rudd – Property Officer Heather Garrett – Team Assistant Adam Hunting – Surveyor Stock Investment (temporary) Vacant Post	
<u>11.2 - Housing repair testing</u>	Management should ensure that staff are given appropriate support and training to ensure: a) Expenditure is being correctly coded as either capital or revenue within the Orchard system. b) Correct priority rating is being assigned to jobs as per Council policy. c) Reasons why work is not being completed to target are noted within the Orchard system.	2	<u>Partly Implemented</u> a) coding checked during the monthly budget monitoring meeting. b)Not possible to check whether correct priorities assigned due to lack of detail on the Orchard system. c)Not possible to check whether target dates met as often only the invoice date is known and entered onto the system.	<u>June 2014</u> Interface and Orchard upgrade due to be completed in June 2014.
<u>11.3 - Housing repairs policy and procedures</u>	Detailed policies and procedures should be put into place that covers all areas of housing repair responsibilities.	3	<u>Implemented</u> Updated in readiness for the Orchard upgrade.	
<u>11.4 - Customer satisfaction</u>	The housing repairs team should ensure that it is obtaining customer feedback and monitoring satisfaction levels with the service that is being provided.	3	<u>Implemented</u> Customer satisfaction forms are issued at the same time as job cards are issued. Responses are recorded and followed up where necessary.	

Appendix 1 Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.

Compliance with applicable standards

Our review of compliance against the applicable audit standards has confirmed that this engagement has been conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. In conducting this assignment we can confirm that there have been no impairments to our independence or objectivity, either as an organisation or as individual auditors involved in delivering this service.

Responsibility Statement

We have prepared this document solely for your use and, therefore, we believe that it would not be appropriate for it to be made available to third parties. If such a third party were to obtain a copy, without our prior written consent, we would not accept any responsibility for any reliance that they might place upon it.

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