

# INTERNAL AUDIT REPORT

**FROM:** Audit & Risk Manager

**TO:** Head of Assets

**C.C.** Chief Executive  
Deputy Chief Executive  
Head of Finance  
Technical Manager  
Compliance Manager  
Portfolio Holder (Cllr Jan Matecki)

**SUBJECT:** Housing Investment & Maintenance Programmes

**DATE:** 01 December 2021

---

## 1 Introduction

- 1.1 In accordance with the Audit Plan for 2021/22, an examination of the above subject area has recently been completed by Nathan Leng, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

## 2 Background

- 2.1 Housing Investment and Maintenance Programmes work to improve the condition and safety of the Council's housing stock to meet the evolving needs of residents, the community and the environment.
- 2.2 The Assets Management team at Warwick District Council are responsible for ensuring that the financial resources needed to complete these works are controlled, planned and achievable.

## 3 Objectives of the Audit and Coverage of Risks

- 3.1 The audit was undertaken to test the management and financial controls in place. This was achieved through a 'risk-based audit' approach whereby key risks are identified and then processes are assessed to provide assurance that the risks are being managed effectively. This approach has been in place only since the start of this financial year following an external review of the function.
- 3.2 In terms of scope, the audit covered the following risks:
- Excess expenditure resulting from ineffective programming, project control, procurement and/or contract management.

- Council is held in breach of duties under law to ensure housing stock standards remain fit for human habitation.
- Stakeholder dissatisfaction with the Council as a social landlord.
- Council funds misappropriated through fraudulent action.
- Risk to the health and wellbeing of tenants, Council staff, contractors and the public from sub-standard housing conditions or unsafe procedures during improvement/ maintenance work.

3.3 These were drawn from a combination of risks identified in the Significant Business Risk Register and discussion with the Technical Manager (auditee).

3.4 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:

- Improved health for all.
- Housing needs met for all.
- To make the District carbon neutral by 2050.
- All staff are properly trained.
- All staff have the appropriate tools.
- All staff are engaged, empowered and supported.
- The right people are in the right job with the right skills and right behaviours.
- Focusing on our Customers' needs.
- Continuously improve our processes.
- Increase the digital provision of services.
- Better return/ use of assets.
- Full cost accounting and continued cost management.
- Maximise income earning opportunities.
- Seek best value for money.

3.5 It was originally intended that a specific contract relating to Fire Safety works would be reviewed as part of this audit. However, issues over the management of contracts held with the contractor were separately raised with Internal Audit, so a specific review is to be performed in that area which will be reported separately.

## 4 Findings

### 4.1 Recommendations from Previous Reports

4.1.1 There were no recommendations made during the previous audit of this area, conducted in 2019.

### 4.2 Financial Risks

#### 4.2.1 Excess expenditure resulting from ineffective programming, project control, procurement and/or contract management.

The Council use the outcomes of stock condition surveys to evaluate the condition of Council Housing Rent Account (HRA) stock. A stock condition survey looks at external features, internal fixtures and systems to establish their condition maintenance needs and remaining lifecycles. Assessments of property attributes are quantified and assigned a condition rating.

The ratings assigned to property attributes during condition surveys determine the estimated lifespan of the attributes. Combining this information with the survey outcomes for other housing stock has enabled the Council to develop and implement a planned maintenance programme for the delivery of major works, structural repairs and aid & adaptations known as the Housing Improvement Programme (HIP).

A full stock survey was attempted in 2016. However, at the time, approximately 10% of properties could not be fully inspected. The Technical Manager (TM) advised that gaining access is the most common reason for an inspection appointment to fail and this is due largely to tenants refusing access. In instances where internal access is refused, inspections are limited to the outside of the building which is visible or accessible from public land.

The Council has attempted to retroactively complete condition surveys on the 10% by scheduling surveys alongside repair works or when the property becomes void. However, this ad-hoc approach presents the risk that the condition of certain properties will continue to remain unknown to the Council for many years. This is counter to the obligation that the Council must understand the condition of their housing stock. It also presents a risk of higher maintenance costs from defects that have been allowed to develop as well as possible health implications for residents living in potentially substandard accommodation.

**Recommendation:**

**A review of properties without a complete condition survey should be undertaken to determine the current condition of each property.**

The Council have the authority, stipulated in Council tenancy agreements, to escalate action to the point of taking legal action to force access in order to satisfy their responsibilities as a Social Landlord. However, the TM advised that these actions were not currently being deployed.

**Recommendation:**

**The Council should develop a robust procedure for dealing with instances where reasonable requests for access are refused. These cases should be escalated until remedial action has been completed and every effort should be made to recover the cost from the tenant.**

The TM confirmed that there is a lack of appropriate mobile devices. Mobile devices without the latest Active-H MIS mobile system upgrade creates difficulties when conducting on-site surveys and updating the system with new survey information. However, the TM acknowledged that the Compliance Manager/ Data Co-ordinator (CM/ DC) is currently working on a project to update their remote equipment capability.

Property assessments are carried out in accordance with the conditions outlined in the Housing Act (2004), guidance from A Decent Home (2006) and the Home Standard (2015). The Homes (Fitness for Human Habitation) Act (2018) mandates that all rented houses and flats are 'fit for human

habitation'. The Housing Health and Safety Rating System (HHSRS) (2006) provides a risk assessment framework for the identification and mitigation of hazards in properties as well as guidance for assigning a condition rating and enforcement action.

The condition rating for a property attribute is based on the age and the current condition of the attribute. These factors are used to estimate the life expectancy of the attribute.

At the start of each financial year, the property attributes that are predicted to reach the end of their lifespan during the coming year are included in the annual Housing Improvement Programme (HIP) work schedule.

The costs of maintenance works are calculated using the National Schedule of Rates (NSR). This national framework provides an industry standard for the cost of maintenance works and materials.

The annual maintenance budget is refreshed every year based on the predicted costs of the HIP for the coming year and any actions needed to support progress towards the Council's corporate priority objectives. This provides the Council with the necessary funding to maintain a fluid maintenance plan capable of adapting to prevalent issues.

The annual maintenance budget is calculated by the Principal Accountant (PA) before being formally approved by the Head of Housing Services (HHS).

Most Council maintenance contract budgets are based on the NSR which includes an annual percentage uplift to compensate for inflation of material costs. There is a composite schedule of rates, which covers both labour and material costs, encoded into the Active-H system.

Contractors are responsible for sourcing materials for maintenance and improvement works. However, the Council can request specific materials types be used. If the choice of material is unsuitable for the work, it will be picked up during post-work completion reviews by Property Maintenance Inspectors (PMI) and Building Surveyors/ Contract Administrators. The work order may be recalled for remedial action.

#### 4.3 **Legal and Regulatory Risks**

##### 4.3.1 **Council is held in breach of duties under law to ensure housing stock standards remain fit for human habitation.**

The Quarterly KPI report uses data extracted from the Active-H system. The report reveals that at the end of the first quarter of 2021 approximately 88% of HRA homes with stock condition survey information updated within the last five years had been recorded on the Active-H system.

Analysis of a small sample of properties with condition survey data on Active-H reveals that in all instances, external and internal property attributes were given a condition rating based on the outcome of the 2016 stock condition survey.

There were several properties with attributes that had been inspected more recently than 2016 in response to a repair or disabled adaptation works. This demonstrates that the condition of attributes is reassessed when a need is identified.

In all cases, the condition rating and the length of time since installation or renewal were used to estimate the lifespan of an attribute. Active-H displays the expected replacement date for each attribute, even ones without a condition survey.

However, in some cases where the attribute has been surveyed, the expected lifespan was overridden. This shows that the result of stock condition surveys is factored into the planned maintenance schedules and that the absence of a survey could make maintenance scheduling less accurate.

The majority of the Council property surveyors are trained surveyors with memberships to the Chartered Institute of Building (CIOB) and a number have Royal Institute of Chartered Surveyors (RICS) certificates, giving them a solid foundation of knowledge for assessing properties and identifying defects.

Surveyors refer to the Housing Health and Safety Rating System (HHSRS) and the Decent Home Standard for guidance when identifying and rating defects and hazards. The documents also outline essential housing standards.

The stock condition survey covers all property attributes. Therefore, by working through the list of attributes, all essential maintenance needs should be identified. Maintenance staff engage in weekly catch-up meetings where they share their experiences and offer advice as needed.

Staff are provided specialist guidance (e.g. how to carry out a fire risk assessment) when needed. As part of the CIOB or RICS membership, staff undertake a variety of continuing professional development (CPD) events to further improve their knowledge. It was noted that there is no record held of completed service-specific qualifications and training. It may be beneficial to keep a training record to help manage development and skills resilience within the service.

### **Advisory:**

#### **Consideration should be given to creating a record of training and qualifications undertaken by service team members.**

There are a number of essential safety inspections of HRA properties that are carried out on a cyclical schedule.

Gas safety inspections are scheduled to be carried out on an annual basis. Analysis of a sample of HRA properties showed that all properties, with a gas supply, had a gas safety inspection within the last year.

Electrical Installation Condition Reports (EICR) are scheduled to be conducted once every 5 years. In all sampled properties, these inspections had been carried out within the last 5 years.

It is acknowledged that the presence of Asbestos in a property, so long as it is not disturbed, is not likely to pose a risk to tenants. However, not inspecting known Asbestos sources at approved frequencies would be a breach of the Council's legal and regulatory responsibilities.

If Asbestos is found in an HRA property, the property is scheduled for inspection on an annual basis. The Compliance Administrator (CA) advised that records of Asbestos inspections are recorded in a dedicated database. The CA demonstrated that all sampled HRA properties have received inspections as per the mandated timescales.

#### 4.4 **Reputational Risks**

##### 4.4.1 **Stakeholder dissatisfaction with the Council as a social landlord.**

Tenants can submit service requests or complaints by completing an online form via the Council website. This provides maintenance staff with feedback on current issues facing tenants.

Maintenance contract managers can raise issues at regular meetings with Council management or get in touch via telephone or email.

The Asset Management Service Area Plan (SAP) (2020-2021) details how the service aims to support the needs of its stakeholders while also meeting the Council's corporate objectives and the HRA Business Plan.

The corporate projects outlined in the SAP related to the maintenance and development of HRA properties include; thermal building improvements, energy audits and implementation of low and no cost energy measures, fire risk assessments for multi-storey and low rise HRA blocks as well as the Housing Improvement Programme (HIP) capital programme.

The Asset Strategy Action Plan (2019-2023) provides an annually reviewed list of actions that the service aims to undertake to meet the strategic objectives of the Asset Management SAP. Specific actions related to guiding future property maintenance and development in the district include; completing and updating assessments of all HRA property assets, ensuring investment decisions around strategic objectives are in line with Asset Management principles as outlined in the SAP and WDC Asset Management Strategy (2019-2023), as well as ensuring the resource implications of achieving these actions is factored into the Medium Term Financial Strategy.

The WDC Asset Management Strategy (2019-2023) goes into further detail as to how the Assets service can support the Council's strategic objectives by ensuring the HRA portfolio of assets is both sufficient and capable of meeting the Council's needs and goals. Together, these documents form an ongoing and overarching strategy for the management of Council HRA assets.

The service reports KPI data on a range of measures deemed important to various stakeholders who use the service. These measures are used to gauge performance against set targets. The quarterly reporting of these performance targets is used to assess the impact of interventions, such as adjustments to resourcing or transformational change, and to plan future

interventions.

The quarterly KPI report showing performance during 2020-2021 and 2021-2022 reveals that the percentage of HRA properties with an in-date EPC rating of 'D' or above never dropped below 94%. The measure consistently performed above the 90% target.

However, across the same period, the percentage of properties with an in-date EPC rating consistently fell short of the 100% target. Performance in this measure began at around 50% in the first quarter of 2020 and rose to just over 70% by the end of the first quarter of 2021.

The increase in percentage of HRA properties is likely due to actions taken in response to corporate projects. For example, the assessment and improvement of the thermal rating of HRA properties as detailed in the Asset Management SAP.

While progress towards achieving the Council's corporate objectives and the HRA Business Plan is underway, the percentage of properties without an in-date EPC is still a matter of concern as there is a potential risk that just under 30% of HRA properties may not have an EPC rating of 'D' or above.

The final KPI measure related to maintenance and improvement of HRA properties reports the percentage of HRA homes with stock condition survey information updated within the last 5 years. Performance in this measure has remained relatively constant at approximately 88% since the first quarter of 2020. This is consistently below the performance target of 100%.

The above data is consistent with the majority of HRA homes assessed during the 2016 stock condition survey, with only a small number of condition surveys being carried out since that point.

It should be noted that for most properties with a stock condition survey, those carried out in 2016 have not been updated within 5 years by the end of 2021. While the Asset Strategy Action plan 2019-2023 includes an action to implement a rolling programme to assess HRA stock condition to begin in November 2019, the above KPI performance demonstrates that this has yet to be implemented.

#### **Recommendation:**

**The full condition of all HRA stock should be assessed and a rolling programme of assessments should be implemented to ensure the condition data is accurate and up to date.**

#### **4.5 Fraud Risks**

##### **4.5.1 Council funds misappropriated through fraudulent action.**

The cost of labour and materials are controlled by the NSR. This ensures that all costs are set at industry-wide market levels.

HIP works are managed by the Technical Surveyors. In most cases, work

programmes are generated using the attribute stock condition data to schedule a repair date. Contractors are responsible for validating the work.

Post-work inspections are conducted to ensure that work has been completed to a satisfactory standard. Instances of completed works falling below minimum standards are recalled at the contractor's expense. This protects the Council from paying for repeated repair work due to insufficient or ineffective repair work carried out or materials used.

#### 4.6 **Health and Safety Risks**

##### 4.6.1 **Risk to the health and wellbeing of tenants, Council staff, contractors and the public from sub-standard housing conditions or unsafe procedures during improvement/ maintenance work.**

There is no current risk register for the Asset Management service area.

#### **Recommendation:**

**A service-specific risk register for Asset Management should be created at the earliest opportunity.**

No risk assessment checklists have been created by the Assets service for the COVID-19 pandemic. However, the Corporate Health and Safety Coordinator (CHSC) created a generic risk assessment document for use by all Council services when conducting site visits. This document is reportedly used by Assets staff to consider risks and appropriate measures when conducting site visits.

Contractors have their own risk assessment and appropriate work guidelines. These are communicated by the contractor to tenants at the point of scheduling works.

Staff and contractors are empowered to leave a site if occupants refuse reasonable requests to adhere to health and safety guidance.

#### 5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Housing Investment and Maintenance Programmes are appropriate and are working effectively to help mitigate and control the identified risks.

5.2 The assurance bands are shown below:

| <b>Level of Assurance</b> | <b>Definition</b>   |
|---------------------------|---|
| Substantial Assurance     | There is a sound system of control in place and compliance with the key controls.   |
| Moderate Assurance        | Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls. |



| Level of Assurance | Definition   |
|--------------------|--|
| Limited Assurance  | The system of control is generally weak and there is non-compliance with controls that do exist. |

5.3 The main issues that require further action are summarised below:

- The stock condition survey is out of date.
- Remote equipment capability is outdated.
- EPC ratings are not known for all HRA properties.

5.4 A further, more minor, 'issue' was identified where an advisory note has been reported. Addressing this issue is discretionary on the part of the service.

## 6 **Management Action**

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr  
Audit & Risk Manager

## Action Plan

## Internal Audit of Housing Investment and Maintenance Programmes – December 2021

| Report Ref. | Risk Area  | Recommendation   | Risk Rating* | Responsible Officer(s)                               | Management Response   | Target Date |
|-------------|--|--|--------------|--|---|-------------|
| 4.2.1       | Financial Risk:<br>Excess expenditure resulting from ineffective programming, project control, procurement and/or contract management. | A review of properties without a complete condition survey should be undertaken to determine the current condition of each property. | Low          | Head of Assets/ Head of Housing / Compliance Manager | We are currently consulting with the Head of Housing on options for re-undertaking cyclical stock condition surveys to the full stock in 2022/23. | March 2023  |

| Report Ref. | Risk Area   | Recommendation   | Risk Rating* | Responsible Officer(s) | Management Response   | Target Date |
|-------------|---|--|--------------|------------------------|---|-------------|
| 4.2.1       | Financial Risk: Excess expenditure resulting from ineffective programming, project control, procurement and/or contract management. | The Council should develop a robust procedure for dealing with instances where reasonable requests for access are refused. These cases should be escalated until remedial action has been completed and every effort should be made to recover the cost from the tenant. | Low          | Head of Housing        | Housing Services will consider as part of the tenancy agreement review and, if necessary, write and implement a procedure that covers access to our customers homes. However, it must be noted that ultimately it is a legal obligation of any tenancy agreement that a tenant must have quiet enjoyment of their home, which means a Landlord cannot gain or try to obtain access unnecessarily or without good reason. A court order must be obtained and we would need to establish whether legal proceedings would be classed as abuse of process to carry out improvement works. Similarly, whether we would be able to charge tenant for refusing access is a difficult situation to assess. There may be very many reasons why we wouldn't want to charge, or even be successful if we did, in recovering any money, including how we could prove costs incurred for non access. | March 2022  |

| <b>Report Ref.</b> | <b>Risk Area</b>  | <b>Recommendation</b>  | <b>Risk Rating*</b> | <b>Responsible Officer(s)</b>                        | <b>Management Response</b>  | <b>Target Date</b> |
|--------------------|---|--|---------------------|--|---|--------------------|
| 4.4.1              | Reputational Risk:<br>Stakeholder dissatisfaction with the Council as a social landlord.  | The full condition of all HRA stock should be assessed and a rolling programme of assessments should be implemented to ensure the condition data is accurate and up to date. | Medium              | Head of Assets/ Head of Housing / Compliance Manager | We are currently consulting with the Head of Housing on options for re-undertaking cyclical stock condition surveys to the full stock in 2022/23. | March 2023         |
| 4.6.1              | Health and Safety Risk:<br>Risk to the health and wellbeing of tenants, Council staff, contractors and the public from sub-standard housing conditions or unsafe procedures during improvement/ maintenance work. | A service-specific risk register for Asset Management should be created at the earliest opportunity.   | Low                 | Head of Assets                                       | Being developed alongside SDC Property Team.  | April 2022         |

\* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.

Medium Risk: Issue of moderate importance requiring prompt attention.

Low Risk: Issue of minor importance requiring attention.