

## INTERNAL AUDIT REPORT

**FROM:** Audit and Risk Manager                      **SUBJECT:** Housing Repairs and Maintenance  
**TO:** Head of Housing & Property Services                      **DATE:** 26 September 2016  
**C.C.** Chief Executive  
Assistant Chief Executive (BH)  
Head of Finance  
Asset Manager  
Housing Repairs Manager

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### 1 Introduction

- 1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been completed and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in September 2013.
- 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 co-operation received during the audit.

### 2 Background

- 2.1 Housing responsive repairs and maintenance is a significant service provided to all housing tenants.
- 2.2 Housing properties totalled 5,456 as at April 2016.

### 3 Scope and Objectives of the Audit

- 3.1 An extensive examination has been undertaken using the CIPFA systems-based control evaluation models. This entailed completion of Internal Control Questionnaires (ICQs) and testing of controls in accordance with evaluation programmes. Detailed testing was performed to confirm that controls identified have operated, with documentary evidence being obtained where possible, although some reliance has had to be placed on verbal discussions with relevant staff.
- 3.2 The objectives that have been considered as part of this audit include:
- Appropriate procedural guidance is in place and is available to relevant staff
  - All relevant properties are accurately recorded on the system

- Regular reconciliations are performed between the different systems in place
- Work performed is appropriate and has been costed in line with agreed prices
- Adequate performance monitoring is undertaken
- The rehousing of tenants due to major works being performed has been appropriately undertaken.

3.3 The expected controls covered by the CIPFA matrices for repairs and maintenance are categorised into the following main headings:

- (1) Procedural documentation
- (2) Housing system property details
- (3) Right To Buy disposals
- (4) Reconciliation processes
- (5) Cost of works
- (6) Budgetary control
- (7) Performance indicators and monitoring
- (8) Emergency repair works orders
- (9) Tenant recharges
- (10) Leaseholder recharges
- (11) Inspection of works
- (12) Tenant relocation

3.4 A specific test relating to controls over staff access to the Active H housing system was not undertaken as part of this audit as it is being covered as part of a separate audit of the Active H system.

3.5 Similarly, the procurement section of the programme was not covered due to various separate reviews that have been performed on the procurement processes in place.

## 4 Findings

### 4.1 Recommendations from Previous Report

4.1.1 The report relating to the previous audit of this, undertaken in September 2013, did not include any recommendations.

### 4.2 Procedural Documentation

4.2.1 The existing repair procedure notes were reviewed to ensure that they covered the complete repairs transaction cycle. It was confirmed that the council's responsibility for housing repairs for the eight generic housing components such as roofs and guttering are clearly documented in the procedure notes.

4.2.2 Guidance to housing tenants with regards to how to report property repair issues was found to be included on the council's website and in the tenant's handbook. It had also been included in the Summer 2016 issue of the Tenants Together magazine. The guidance is considered by Internal Audit to cover the salient points to inform housing tenants the process for reporting repairs.

- 4.2.3 The procedure notes clearly document that tenants are responsible for any repairs where damage or breakage is due to tenant neglect or deliberate damage.
- 4.2.4 The procedure notes are currently kept on the previous version of the Intranet. In order to ensure that the procedure notes can be accessed by relevant staff, the relevant documentation should be moved to the current Intranet.

**Risk**

**ICT may close staff access to the previous version of the intranet, where the housing repair procedure notes are located.**

**Recommendation**

**The housing repair procedure notes should be transferred from the previous intranet system to the current intranet Housing page.**

**4.3 Housing System Property Details**

- 4.3.1 Testing was undertaken to compare the housing property details as per the Logotech fixed asset register with the Active H housing property system. A sample of ten properties was checked and the two sets of records were found to be consistent.
- 4.3.2 The same sample of ten properties was checked in the Active H system for details of:
  - a) age
  - b) condition
  - c) repairs log
  - d) planned maintenance

It was confirmed that all properties were appropriately recorded on the system.

- 4.3.3 Enquiries with relevant staff and a review of documentation confirmed that in 2016/17 a complete inspection and stock condition survey of all the council's houses is taking place which is due to be completed by 10 October 2016. Of the ten properties sampled, one of the properties had already had the stock condition survey completed by the independent housing consultants.

**4.4 Right To Buy Disposals**

- 4.4.1 A test was completed to confirm that the Active H property record had been updated to take account of recent tenant right to buy (RTB) house disposals.
- 4.4.2 In quarter one (2016/17) there have been thirteen RTB disposals. A sample of four property records was tested and it was confirmed that all four records had been correctly and promptly updated on the system and there was no evidence of any planned maintenance for these properties.

#### 4.5 **Reconciliation Processes**

4.5.1 As part of the annual reconciliation process a reconciliation between the Logotech housing fixed asset register, Total General Ledger and Active H housing system for the number of properties owned was successfully completed by the Principal Accountant (Capital). All existing housing properties were revalued by an independent valuer, Carter Jonas, as at 31 March 2016.

#### 4.6 **Cost of Works**

4.6.1 Schedules of rates are in place for the costs relating to both responsive repairs and repairs to void properties.

4.6.2 Sample testing was undertaken to ensure that the prices charged for works performed were compliant with the approved schedules of rates. This test proved satisfactory.

#### 4.7 **Budgetary Control**

4.7.1 The housing building responsive repairs contract is currently awarded to one contractor. Inspection of the monthly budgetary control review documentation confirmed that the reviews are being undertaken appropriately and there was evidence of proactive monitoring. As at quarter one for 2016/17 the actual responsive repairs costs are confirmed at £131k below the revenue budget.

4.7.2 It was noted that, as a result of the contract monitoring review, the July 2016 valuation report clearly documented timely referrals to the responsive repairs contractor for them to provide responses to unusually high costs for repairs. In addition, a meeting is to be scheduled for resolving any outstanding queries.

4.7.3 It was noted that incremental process improvements are to be introduced from 1 September 2016 for repairs to void properties. This is to maintain the properties to an acceptable standard of accommodation and to strengthen the control environment to ensure that actual works completed are consistent with the inspection specification raised by the Property Maintenance Officers.

#### 4.8 **Performance Indicators & Monitoring**

4.8.1 Performance indicators (PI) have been set for:

- a) emergency repairs being completed within four hours of being reported; and
- b) routine repairs being completed within thirty days of being reported.

Evidence reviewed for the contract monitoring process as at quarter one confirms that the actual contractor performance is meeting these two PI's.

4.8.2 The Housing Repairs Manager confirmed that performance is a standard agenda item at the contractor meetings and performance data is available to service management on the shared ICT network drives.

## 4.9 **Emergency Repair Works Orders**

4.9.1 Testing was performed to confirm that emergency repairs are prioritised and completed within the agreed four hour timeframe. A sample of ten emergency repair works orders was tested and, upon review of evidence on the Active H system, it was confirmed that all sampled work orders met the emergency criteria and were completed by the contractor in a timely manner.

## 4.10 **Tenant Recharges**

4.10.1 The tenant handbook clearly evidences the repairs and other categories of expenditure which tenants are responsible for. The property inspection process and other sources of contact with the tenant will identify any evidence of damage and neglect to the housing accommodation.

4.10.2 A sample of five rechargeable works orders was tested to ensure that the tenant had been correctly recharged. Upon review of supporting documentation it was confirmed that four of the jobs had been recharged to tenants. However, in the other case, the tenant had not been charged for the works.

4.10.3 Whilst the financial value of this work was not significant, the results demonstrate that the existing controls need to be reconsidered with the objective of ensuring that all rechargeable works orders are promptly charged to tenants.

### **Risk**

**Failure to charge tenants for rechargeable works may result in lost income.**

### **Recommendation**

**Refresh the business process to ensure that all rechargeable works are invoiced to the tenant on a timely basis.**

## 4.11 **Leaseholder Recharges**

4.11.1 Where a block of housing contains a combination of council and leaseholder owners, leaseholders will be recharged for certain works to the communal aspects of the building.

4.11.2 These works are recharged as part of the annual service charges to the leaseholder. A sample of five leaseholder recharges was checked to ensure that the charges had been included as appropriate on the system and that service charges were being paid.

4.11.3 The testing confirmed that charges had been appropriately included in the service charges. Four of the service charges were being paid but the other arrangement was still to be confirmed at the date of audit. However, this was not considered to be an issue.

## 4.12 **Inspection of Works**

4.12.1 Upon review of the responsive repairs inspection policy it was identified that it differentiates between routine repairs valued at over £600, which should

always be inspected following completion, and the routine repairs valued below this threshold along with emergency repairs for which a 10% sample should be inspected. This is considered by Internal Audit to be appropriate.

4.12.2 A walkthrough test for the process and controls for routine repair post inspections was completed for one property. Internal Audit's physical inspection of the repair completed by the contractor confirmed that the repair was of a good quality standard. The physical inspection was also correctly updated on the Active H system.

**4.13 Tenant Relocation**

4.13.1 The flats at Featherstone Court, Leamington Spa, have recently been demolished. As a result, the tenants needed to be relocated to alternative accommodation.

4.13.2 Sample testing was undertaken to verify that the relocation fees payable under Section 29 of the Land Compensation Act 1973 and the Planning and Compensation Act 1991 had been correctly awarded to tenants.

4.13.3 In each of the two sampled cases, supporting documentation reviewed confirmed that the appropriate compensation payments had been made. In addition, one of the claimants tested was in receipt of weekly Housing Benefit and the evidence provided verified that the necessary change of address had been notified to the Housing Benefits team.

**5 Conclusions**

5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place for Housing Repairs and Maintenance are appropriate and are working effectively.

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

5.2 Minor issues were noted in that the procedure notes are currently being held on the old intranet site and a tenant had not been appropriately charged for rechargeable works.

6 **Management Action**

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

Richard Barr  
Audit and Risk Manager

## Action Plan

## Internal Audit of Housing Repairs &amp; Maintenance – September 2016

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.2.4	The housing repair procedure notes should be transferred from the previous intranet system to the current intranet Housing page.	ICT may close staff access to the previous version of the intranet, where the housing repair procedure notes are located.	Low	Housing Repairs Manager	Agreed. This has been completed.	22/9/16
4.10.3	Refresh the business process to ensure that all rechargeable works are invoiced to the tenant on a timely basis.	Failure to charge tenants for rechargeable works may result in lost income.	Low	Housing Repairs Manager	Agreed. A new process has been implemented.	22/9/16

\* 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.