

ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	COMMUNITY SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	REVIEW OF HOUSING REPAIR & IMPROVEMENT GRANTS
AUDIT DATE	MAY 2016

2016/2017



1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Housing Repair and Improvement Grants within Community Services as part of the 2016-17 Internal Audit programme.

Section 72 of the Housing (Scotland) Act 2006 requires a local authority to prepare and make publicly available a Scheme of Assistance for private sector housing to improve the quality and suitability across Argyll & Bute.

With effect from 1st April 2016 the new Integrated Health and Social Care Body has responsibility for disabled adaptations. There is a Scheme of Assistance document in place which outlines application criteria detail. This is in 2 Parts:

Part 1 – Those sections of the legislation relating to grants for adaptations.

To meet the assessed needs of people with long term life limiting conditions, who are living in the private sector and require adaptations to allow them to live in their homes as independently as possible for as long as they choose to do so.

Part 2 – All other grant funding for private sector housing including, repair, improvement, energy efficiency and empty homes grants.

To address disrepair in private sector homes by encouraging home owners to recognise that they have the primary responsibility for maintaining their properties. Limited resources will be targeted at properties where there are common repair responsibilities and empty homes.

Argyll and Bute Council's Housing Service will deliver both Parts 1 and 2 of the Scheme. It is accountable to the Health and Social Care Integrated Joint Board for Part 1 and to the Council for Part 2.

The Scheme of Assistance contributes to the following outcomes set in the Argyll and Bute Local Housing Strategy 2011-16:

- To lead a cultural change in attitudes to private sector house conditions
- To effectively deal with large numbers of sub-standard houses of all types and in all locations
- To provide support and assistance, including financial assistance,
- To realise the potential of communities by ensuring that people have access to affordable, sufficient and suitable housing

These aims will be achieved by offering the following types of assistance:

- Advice and Information (along with key partners in their relevant areas of expertise)
- Practical Assistance
- Financial Assistance
 - Adaptations – 3 Types of Grant available, one is mandatory and 2 discretionary
 - Repairs – 7 Types of Grant available, 6 are discretionary and one for energy efficiency is subject to budget and geographical limitation and Scottish Government criteria (managed on behalf of the Council by ALLenergy).

The budget for grant allocation during 2016-17 is £1.3m. The average number of grants applied for and awarded is around 270 per year with values ranging from £322 to £26k although legally there is no upper limit for disabled adaptations.

2. AUDIT SCOPE AND OBJECTIVES

The main objective of the audit was to assess controls in place throughout the private sector housing grant process and ensure that adequate evidence of expenditure is provided.

Internal audit will review any policies and procedures in place to establish compliance with relevant legislation, a sample of claims for financial assistance will be reviewed to ensure compliance with grant criteria.

Controls included:

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|----------------|---|
| Authority – | Roles and delegated responsibilities are documented in policies and procedures and are operating well in practice |
| Occurrence – | Sufficient documentation exists to evidence compliance with policies, procedures and relevant legislation |
| Completeness – | Policies and procedures are aligned to relevant legislation and all required documentation is accurately and fully maintained |
| Measurement – | Policies and procedures are in line with requirements of relevant legislation |
| Timeliness – | Policies and procedures are regularly reviewed and updated as necessary |
| Regularity – | Documentation is complete, accurate and not excessive; it is stored securely and made available only to appropriate members of staff. |

3. RISKS CONSIDERED

SRR – External Built Environment

SRR – Reputation

SRR – Management of Services and Resources

ORR – Inability to ensure people successfully access a choice of suitable and affordable housing options in the area they want to live in.

Audit Risk – Failure to comply with relevant legislation

Audit Risk – Risk of collusion between staff and contractors

Audit Risk – Risk of grant paid for work that has not been carried out

Audit Risk – Risk of grant overpaid for work that has been carried out

4. AUDIT OPINION

The level of assurance given for this report is Substantial.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
Substantial	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.

Limited	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

<p>High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;</p> <p>Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;</p> <p>Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.</p>
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5. FINDINGS

The following findings were generated by the audit:

Procedures

Procedure notes had recently been updated due to adoption of a new scheme of assistance. The procedures were found to be in line with legislative requirements and are subject to ongoing review and updated as required.

Enquiry & Advice

Notes are retained on the shared drive area of the Housing Services team and on a dedicated advice area within the ABRITAS Housing Management System, however, this is not linked to grant applications when received and recorded within the grant area of the system, thus precluding the full trail of communication and documentation together in one area of the system.

Applications for Grants (S74)

During 2015-16, 331 applications for grant assistance were received by Argyll and Bute Council. From this population of applications, a sample of 31 was selected for review.

Within the ABRITAS system, it was evidenced from the applications selected for review that appropriately completed and signed application forms containing descriptions, locations and estimated cost of work to be carried out and the proportion of cost to which the grant applies were present. Plans of work were available with the exception of one application, it was also noted that there is a requirement for an occupational therapist's referral document for disabled adaptation grant and in one instance it was unavailable.

Determination of Grants (S75)

There was evidence of approval of cost estimates provided for all applications as well as agreement of the applicant's contribution and owner consent to the work to be carried out. There was evidence that title deeds of properties had been reviewed for all applications to confirm ownership of premises for which the applications refer. Controls are in place in respect of assuring that work has not commenced prior to grant award. In all instances the work, as per plans and invoices, appeared to provide suitable/improved living

accommodation for the applicant as per stipulated criteria. There is a requirement for work to be completed within a 12 month timeframe; however this was not stated on all award notices.

Approval of Expenditure (S76)

In all applications reviewed, the approved expense related to the cost of the work to be carried out; this was evidenced through review of submitted quotes from suppliers as recorded on the ABRITAS system. There are not always 3 quotes available due to the type and location of work to be undertaken e.g. where specialist lift access is required for disabled adaptations. Additionally, where the grant relates to common repairs already included within other schemes, such as the Conservation and Regeneration Scheme (CARS) and Townscape Heritage Initiative (THI) projects, reliance is placed on the tendering process already undertaken although some documentation was available on ABRITAS. It was evidenced that the lowest tender was selected in all applications and there was no evidence of costs exceeding the estimated amounts.

There are no limits applied to the costs of works identified for disabled adaptations, clients are awarded an 80% grant unless there are grounds to award 100% grant e.g. following passported benefits. There is no limit as to the cost of other repairs identified, however, there is a limit as to the amount on which a grant may be calculated e.g. for common repairs, each property is awarded a grant calculated as a percentage on a maximum of £25,000, currently 40% for domestic and 30% for commercial premises.

Assessment & Review of Applicant's Contribution (S77 & 78)

Within the sample reviewed, there were 2 applicants requiring financial assessment, it was evidenced from documents within ABRITAS that both applicants provided confirmation that they were in receipt of benefits and therefore entitled to 100% grant award. There was, however, no evidence of review of financial circumstances by a senior member of staff other than the fact that all documentation is reviewed in the process of approving the grant and issuing the award notice.

Amount of Grant (S79)

The amount of grant is that of the total expense minus the applicant's contribution (if any). It was evidenced from information available on ABRITAS that all grants were calculated accurately.

Decision Notifications (S81)

It was evidenced that accurate decision notices were issued to all applicants within the sample reviewed.

All awards were appropriately authorised by relevant service staff and there was evidence of segregation of duties throughout the overall process.

Payment of Grants (S82)

It was evidenced that all grant payments were made following either submission of an invoice from contractors or an internal recharge to CARS. Payments were either made by single payment following completion of work or by instalments at agreed project stages (35%, 50 – 80% & 100%). Payment certificates evidenced that the sums of the instalment(s) paid did not exceed the value of works carried out at time of payment. Of the projects completed, there was little evidence to confirm that work had been monitored throughout the duration of the project and completed as per grant application; however, Internal Audit was advised that inspections are undertaken but note fields within the ABRITAS system had not been updated to reflect this.

All applications within the sample had been approved within the 2015-16 financial year; therefore there was no instance of work exceeding the 12 month timeframe at the time of the audit review.

Conditions of Grant (S83)

Grant conditions are recorded on titles and transfer with ownership on the sale of the property. Grant for repair, improvement or adaptation carries 4 statutory conditions. These are

1. The house must be used as a private dwelling, but that does not prevent the use of part of the house as a shop or office for business, trade or professional purposes.
2. The house must not be occupied by the owner or a member of the owner's family except as that person's only or main residence
3. The owner of the land must take all reasonable steps to keep it in a good state of repair.
4. The owners of the land or premises must, if required to do so by the local authority, certify that the conditions 1 to 3 are, in so far as they apply, being observed.

Failure to maintain the property for 10 years will result in the grant being reclaimed, with interest.

The conditions were stated on all grant award notifications issued to applicants within the sample selected.

Registration of Conditions (S84)

As noted above, there is a requirement to note the Council's interest in the land register. Upon completion of works, notification is sent to our Legal Services Department requesting the entry be processed. From the sample selected for review, 3 applications related to surveys and did not require the entry to be made, 2 notices were found attached to the relevant applicant within ABRITAS, 2 were awaiting processing onto the system, 3 were with Legal Services, and the remainder were not due for completion.

Breach/Discharge of Conditions (S85 & 86)

From the sample selected, there was no evidence of any breach of, or requirement to discharge conditions of grant awarded; however, it was too early in the 10 year period to fully assess.

Internal Audit was advised that periodic reviews are undertaken to ensure compliance with grant conditions with a large number recently completed. Conditions transfer with ownership and must be upheld, the optimum period to wait before carrying out inspections is 7 - 8 years following grant award. More frequent inspections would be beyond current resource availability. A programme of inspections is currently under development.

Fund Monitoring

The available funds are agreed by the Council at the beginning of each financial year as part of the capital planning process. For the year 2016-17, the approved allocation of £1m is available to applicants. The Monies are split £500,000 to Adaptations and £500,000 to repairs.

The lead in time associated with the repair works may in some instances result in payments out with the financial year, however a carry-forward facility is available and it was evidenced that active monitoring of both available balance and payments due takes place.

Adaptations are prioritised by Occupational Therapists with priority one being the mandatory grant category that must be awarded, others are discretionary and awarded on a first come first served basis.

Communal repairs in tenement buildings can take some time to reach agreement between all parties concerned, sometimes taking years for work to commence; once agreed, repairs are prioritised according to importance of work. Projects such as CARS & THI will take priority as they are to be completed within a definite timeframe. Argyll Community Housing Association (ACHA) have an obligation to Scottish Government to provide a specified standard of living accommodation, Argyll and Bute Council assist by providing private tenants or owners with grant funds. Where possible, the funds awarded are balanced between ACHA, CARS, THI & Private applications throughout Argyll and Bute, however, this is not always possible due to the varying demands across the area.

It was evidenced that funds are monitored by management on an ongoing basis through updating of an excel spreadsheet. There is regular engagement with Strategic Finance contacts through the monthly budget monitoring process and the level of fund and commitment is discussed at the Housing Management Team meeting held every month, with a representative from Strategic Finance in attendance.

6. CONCLUSION

This audit has provided a substantial level of assurance. There were a number of recommendations for improvement identified as part of the audit and these are set out in Appendix 1. There were 4 low recommendations set out in Appendix 1 which are not reported to the Audit Committee. Appendix 1 sets out the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to the Housing Services staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.



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