

Governance, Risk and Best Value Committee

10.00am, Tuesday, 5 June 2018

Internal Audit Report – Housing Property Follow Up – May 2018

Item number 7.2
Report number
Executive/routine
Wards
Council Commitments:

Executive Summary

The purpose of this paper is to present the outcomes of the Internal Audit (IA) follow-up review of Edinburgh Building Services (now Housing Property) to the Committee.

This review was requested by the Committee in December 2016 to confirm whether the management actions agreed to address the findings raised in the Edinburgh Building services review of Contract Management Arrangements and Processes (completed in August 2016) had been effectively implemented and sustained.

Both Housing Property and Repairs Direct have made significant progress with implementation of the findings raised. Some elements of three High rated findings have not been fully implemented as yet, resulting in exposure to both significant and moderate levels of residual service delivery risk. Consequently, two findings will be reopened. The residual management actions from two of the three Highs will be consolidated and reopened as one High, and the remaining High reopened as a Medium reflecting the moderate level of residual risk to be addressed.

Two new findings, one Medium and one Low have also been raised.

Internal Audit Report – Housing Property Service Follow Up – May 2018

1. Recommendations

- 1.1 The Committee is requested to note:
 - 1.1.1 the outcomes of the May 2018 Housing Property follow-up review;
 - 1.1.2 the progress made by both HPS and Repairs Direct with implementation of agreed management actions to address the findings raised in the original August 2016 report;
 - 1.1.3 that the High and Medium rated findings to be re-opened are included in the total population of 30 historic IA findings to be re-opened as approved by the Committee on 8 May 2018.
 - 1.1.4 that implementation of the agreed management actions to address the High and Medium findings that have been re-opened and the new findings raised will be tracked as part of the monthly IA follow-up process.

2. Background

- 2.1 In August 2016, IA completed a review of Edinburgh Building Services (EBS) Contract Management Arrangements and processes, and raised nine findings (5 High; 2 Medium; 1 Low and 1 Advisory). Six of the findings raised related to revenue works performed by the service (4 High; 2 Medium; and 1 Advisory), whilst the remaining two (1 High and 1 Low) related to capital works.
- 2.2 One of the High rated findings raised reflected weaknesses in the Repairs Direct Customer Contact Centre performance as only 10% of calls from tenants were answered within 30 seconds, and 33% of incoming calls abandoned (as at April 2016). This reflected a significant deterioration in performance in comparison to April 2015 when 75% of calls were answered within 10 seconds, and only 6% of calls abandoned.
- 2.3 The outcomes of this review were presented to the Governance, Risk, and Best Value Committee (GRBV) in December 2016, who requested that IA provide a subsequent update on whether the management actions agreed to address the findings raised and mitigate service delivery risks had been effectively implemented and sustained.
- 2.4 Edinburgh Building Services (EBS), and Housing Asset Management services were combined in September 2016 to form Housing Property, and now provide a streamlined repair, maintenance and capital programme service across the portfolio

of council houses and Housing Revenue Account land. The service provided is subject to compliance with the Scottish Housing Regulator requirements.

- 2.5 As the findings raised in 2016 had not been effectively validated by IA prior to their closure, an additional review was added to the 2017/18 IA plan to confirm whether agreed management actions had been effectively implemented and sustained.
- 2.6 It has not been possible to fully test implementation of agreed management actions supporting closure of the High rated finding raised in relation to contract monitoring for capital works, as no new capital framework contracts have been authorised since June 2016.

This finding has been closed on the basis of evidence provided by management detailing the process to be applied in the event that capital works are required.

3. Main report

- 3.1 Both Housing Property Services (HPS) and Repairs Direct have made significant progress with implementation of the findings raised in the August 2016 Internal Audit of contract management arrangements and processes, with all agreed management actions supporting 2 High; 2 Medium; 1 Low and 1 Advisory findings fully implemented and effectively sustained.
- 3.2 Our review confirmed that elements of three High rated revenue works findings have not yet been fully implemented, resulting in exposure to both significant and moderate levels of residual risk associated with recording authorisation of invoices; employee training on invoice approval and authorisation; and quality assurance performed on contractor invoices and site inspections.
- 3.3 Two of the three High rated HPS findings will be reopened and tracked as overdue until all agreed management actions have been effectively implemented:
 - 3.3.1 Finding 1 will be reopened as a High, reflecting the significant level of the risks to be addressed;
 - 3.3.2 Finding 2 will not be reopened, as the remaining agreed management action to be implemented is covered by one of the outstanding agreed management actions in finding 1; and
 - 3.3.3 Finding 3 will be reopened as a Medium, reflecting the moderate level of risk to be addressed.
- 3.4 Whilst Repairs Direct has implemented all agreed management actions to close the original High rated finding, the expected uplift in performance has not yet been achieved. Consequently, a new Medium rated finding reflecting the need to review and re-baseline demand and resources and the development of an integrated improvement strategy and plan has been raised
- 3.5 One new Low rated finding has also been raised in relation to records management within the payments team.

4. Measures of success

- 4.1 A robust HP service that is responsive to the needs of tenants and compliant with Scottish Housing Regulator requirements.

5. Financial impact

- 5.1 None.

6. Risk, policy, compliance and governance impact

- 6.1 Implementation of IA findings raised will ensure that HPS service delivery risk is effectively managed.

7. Equalities impact

- 7.1 None.

8. Sustainability impact

- 8.1 Delivery of a sustainable service that will support effective management of the Council's housing stock across the City.

9. Consultation and engagement

- 9.1 The IA report was finalised in consultation with HPS management; the Head of Place Development; and the Executive Director, Place.

10. Background reading/external references

- 10.1 None.

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11. Appendices

Appendix 1 – Housing Property Services follow-up, Final Internal Audit report

The City of Edinburgh Council

Internal Audit

PL1702 - Housing Property follow up
Draft Report

9 May 2018

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2017/18 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2017. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there is a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

1. Background and Scope

Background

Housing Property

Edinburgh Building Services (EBS), and Housing Asset Management services were combined (as part of the Council's transformation programme) in September 2016 to form Housing Property (HP), and now provide a streamlined repair, maintenance and capital programme service across the portfolio of council houses and Housing Revenue Account land. The service provided is subject to compliance with the Scottish Housing Regulator requirements.

In August 2016, an Internal Audit of contract management arrangements and processes was performed prior to transformation, and raised nine findings (5 High; 2 Medium; 1 Low and 1 Advisory). Six of the findings raised related to revenue works performed by the service (4 High; 2 Medium; and 1 Advisory), whilst the remaining two (1 High and 1 Low) related to capital works.

The outcomes of this review were presented to the Governance, Risk, and Best Value Committee (GRBV) in December 2016, who requested that Internal Audit provide a subsequent update on whether the management actions agreed to address the findings raised and mitigate service delivery risks had been effectively implemented and sustained.

In response to the contract management audit HP developed an action plan that included 35 specific actions to address the Internal Audit findings raised.

One of the actions included in the plan was development of a payment authorisation matrix for inclusion in the Housing Property procedure manual. Evidence of authorisation in line with payment matrix requirements is recorded on the compliance form supporting all invoice payments. Training has also been developed and delivered to both existing and new employees involved in invoice processing.

Repairs Direct

The Repairs Direct contact centre receives repairs for requests directly from tenants and neighbourhood housing officers, and passes them to HP for action. Current call volumes are circa 8K per month in comparison to circa 10K calls received per month as at April 2016.

One of the High rated findings raised in the August 2016 report reflected weaknesses in Repairs Direct performance as only 10% of calls from tenants were answered within 30 seconds, and 33% of incoming calls abandoned (as at April 2016). This reflected a significant deterioration in performance in comparison to April 2015 when 75% of calls were answered within 10 seconds, and only 6% of calls abandoned.

Scope

This objective of this review was to confirm whether all agreed management actions resulting from the EBS Contract Management audit completed in August 2016 have been effectively implemented and sustained. The scope also considered the design and operating effectiveness of any newly introduced controls in Housing Property.

Where management actions have been implemented, and our testing confirms that they have not been sustained, the historic audit findings will be re-opened.

The Housing Property action plan was reviewed to confirm that it was fully aligned with the audit findings, and was then used as the basis for our follow-up work.

For the full terms of reference see [Appendix 2](#).

2. Executive summary

Total number of findings

Critical	-	-
High	1	reopened
Medium	2	1 reopened and 1 new
Low	1	new
Advisory	-	
Total	4	-

Summary of findings

Both Housing Property (HP) and Repairs Direct have made significant progress with implementation of the findings raised in the August 2016 Internal Audit of contract management arrangements and processes, with all agreed management actions supporting 2 High; 2 Medium; 1 Low and 1 Advisory findings fully implemented and effectively sustained.

However, our review confirmed that elements of three High rated revenue works findings have not been fully implemented, resulting in exposure to both significant and moderate levels of residual risk associated with recording authorisation of invoices; employee training on invoice approval and authorisation; and quality assurance performed on contractor invoices and site inspections.

Consequently, two of the three High rated HP findings will be reopened and tracked as overdue until all agreed management actions have been effectively implemented.

- Finding 1 will be reopened as a High, reflecting the significant level of the risks to be addressed;
- Finding 2 will not be reopened, as the remaining agreed management action to be implemented is covered by one of the outstanding agreed management actions in finding 1; and
- Finding 3 will be reopened as a Medium, reflecting the moderate level of risk to be addressed

Whilst Repairs Direct has implemented all agreed management actions to close the High rated finding the expected uplift in performance has not yet been achieved. Consequently, a new Medium rated finding reflecting the need to review and re-baseline demand and resources has been raised.

Finally, one new Low rated finding has also been raised in relation to records management within the payments team.

Details of the control gaps identified from our testing and the High rated findings to be reopened are included at Section 3: Detailed findings. Appendix 2 also includes a detailed outcomes summary that maps the findings raised in the August 2016 report through to our testing outcomes and next steps.

3. Detailed findings

1. Original Finding 1 (High) - Allocation of works to contactors and authorisation of payments

Findings

Our review established that three of the five agreed management actions required to support closure of this High rated finding have not been fully and effectively implemented. As the residual risk associated with the outstanding actions is considered significant, this finding will be reopened with a High rating.

Specifically:

Management action 1 - invoice authorisation

The key control supporting authorisation of invoices as per the payment authorisation matrix is evidence of authorisation recorded on compliance forms.

Review of a sample of 25 invoices and supporting compliance forms to confirm authorisation in line with the authorisation matrix included in the Housing Property procedure manual, identified the following moderate control gaps:

- 7 instances (28%) where the compliance form was not attached to the invoice held in archives therefore there was no evidence of invoice authorisation; and
- 1 instance where the compliance form had not been signed by a team leader and two operations managers, where a signature from the Housing Property Manager was required. It is acknowledged that the HPM was on annual leave.

Management action 3 – employee training

The following minor exceptions were noted in relation to delivery of training on work order and invoice processing processes:

- Five new employees started after delivery of initial training. Whilst an induction timetable for all new employees was in place, it did not include a space for employee confirmation of attendance at and completion of training, and attendance had not been recorded elsewhere; and
- Six staff on the Housing Property structure chart (circa 7.5% of the employees at team leader level and above) had not signed training attendance sheet. Their attendance was confirmed verbally by the Operations Manager.

Management action 4 – quality assurance – contractor invoices

Contractor invoices are subject to 100% quality checking prior to payment by the Housing Property compliance team, who produce a Contractor Payment Report detailing the invoices rejected and the supporting rationale.

The compliance team then performs a retrospective review of the quality checking process, however the methodology supporting this process has not been defined (for example, the sampling methodology to be applied) and the outcomes are not recorded.

A further check is then performed by operations managers. Confirmation of completion of the check is recorded in the new HP database, however the outcomes of the check are not recorded.

Business Implication	Finding Rating
<ul style="list-style-type: none"> • HP Housing Property may be unable to demonstrate consistent application of payment approval authorities; • Employees may not aware of authorisation levels or procedures regarding the authorisation of work orders and invoices; and • Quality assurance sampling methodology and size may not be sufficient to identify inaccurate or potentially fraudulent payments to contractors. 	<div style="background-color: red; color: black; padding: 10px; width: 60px; margin: 0 auto;">High</div>
Action plans	
Recommendation	Responsible Officer
<ol style="list-style-type: none"> 1. The invoice authorisation compliance form should be completed, signed, and retained in line with the authorisation matrix for all invoices in excess of £5K; 2. Approval authorisations to be applied in the absence of the Senior Manager (Housing Property) will be documented within existing procedures; 3. Training attendance and completion on invoice and work order processes and authorisation should be recorded and retained; and 4. The process to be applied when selecting samples and recording outcomes of invoice authorisation reviews should be documented, implemented, and consistently applied. Invoice sample selection should cover an appropriate range of invoice values and suppliers. 	Willie Gilhooly, Acting Housing Property Manager
Agreed Management Action	Estimated Implementation Date
<ol style="list-style-type: none"> 1. A stamp will be created and applied to all invoices that will record the appropriate authorisations in line with established approval limits; 2. Approval authorisations will be documented within existing procedures; 3. Induction training templates have been revised to include signatures of new employees to confirm and record attendance. For future training a check will be implemented to confirm that all attendees have signed the attendance sheet; and 4. Risks associated with invoices will be considered at monthly HP management team meetings, and sample sizes selected and advised to the compliance team. Performance information detailing the outcomes of sample testing performed will be provided to the monthly contract management board meeting for review and action. 	29 June 2018

2. Original Finding 3 (High) – Quality Assurance

Findings

Our review established that two of the six agreed management actions required to support closure of this High rated finding have not been implemented. As the residual risk associated with the outstanding actions is considered moderate, this finding will be reopened with a Medium rating.

Specifically:

Management action 2 – targeted site inspections

Whilst HP completes a programme of site inspections, there is no established methodology supporting selection of and reasons for the sample of sites to be visited. Currently, site inspections are completed based on an absolute number (a target of 40 for each team leader which is currently not being achieved) instead of the 2% of completed jobs specified in the agreed management action. It should be noted that the target of 40 site visits exceeds the previously agreed 2% check based on current volumes of sub contracted work.

Additionally, there is no evidence available to confirm that site inspections provide appropriate coverage of individual trades; expenditure levels; customer feedback and any potential or reported safety risk or incidents.

Management action 1 – implementation of site inspection checklists

Additionally, review of a sample of 25 site inspections checklists established some minor control gaps as 3 inspections were not scored and 2 were not signed by the relevant Quality Control Officer or Team Leader.

Business Implication	Finding Rating
<ul style="list-style-type: none">• The sample of site inspections selected may not include high risk and high value works, resulting in inability to identify unacceptable quality or unsafe outcomes; and• Weaknesses identified from site inspections are not addressed.	Medium
Action plans	
Recommendation	Responsible Officer
<ol style="list-style-type: none">1. The process to be applied when selecting samples and recording outcomes of site inspections should be documented, implemented, and consistently applied; and2. Invoice sample selection should be based on an appropriate percentage of completed works; cover an appropriate range of contractor spend and consider both reported safety concerns and customer feedback.	Willie Gilhooly, Acting Housing Property Manager
Agreed Management Action	Estimated Implementation Date
<ol style="list-style-type: none">1. The contract board will retrospectively review the volume of subcontracted work each month, and confirm whether the current number of 40 site inspections remains appropriate or should be increased, as HP management is keen to maintain a minimum no of 40 monthly site inspections;2. The contract board will also select the sample of site inspections to be performed, ensuring appropriate coverage of contractor spend and considering reported safety concerns and customer feedback; and3. A briefing will be issued to all staff confirming that any site inspection checklist that are not fully completed will not be accepted by the Compliance team. The Compliance team will also record details of any incomplete property inspection checklists.	29 June 2018

3. New Finding - Repairs Direct

Findings

Following the original audit report in August 2016, an action plan was produced and implemented to improve the Repairs Direct contact centre performance and establish appropriate future performance targets, to support tenants when reporting housing repair requirements.

An interim Service Level Agreement (SLA) was also agreed between Housing Property Services (HP) and Customer in November 2017 that specifies an 80% stretch target for calls to be answered within 30 seconds and a 10% call abandonment rate. This rate exceeds the 55% target implemented across all other non critical services following Contact service transformation.

Whilst Repairs Direct implemented all of the agreed actions to support closure of the High rated finding and performance has improved (as detailed in the table below), it has not yet achieved the service levels delivered in April 2015, or met the agreed 80% call response rate SLA.

Managers have recognised that an integrated service improvement plan is required to bring performance in line with that of similar housing organisations and to support compliance with Scottish Housing Regulator and Social Housing Charter standards.

Analysis of Repairs Direct Performance

	Average Call volumes	Performance against 80% target	Abandoned Calls
March to July 2017	6,676	41%	21.2%
July to December 2017	8,897	56%	13%

Source: Contact Performance Update Dashboards

Business Implication

- Potential non compliance with Scottish Housing Regulator requirements;
- Increased risk associated with delays in responding to emergency repairs; and
- Potentially adverse impact on citizen experience and reputational damage.

Finding Rating

Medium

Action plans

Recommendation


1. An integrated service improvement plan is developed to align contact centre, localities and the repairs and improvement teams. Demand is reviewed and baselined;
2. Performance targets are reviewed and reset at a realistic and achievable level;
3. Sufficient resources are allocated to support performance delivery; and

Responsible Officer

Michael Thain, Head of Place Development

4. Meetings are established between senior HP and Customer management to review and challenge performance.	
Agreed Management Action	Estimated Implementation Date
1. Agree integrated service improvement strategy and plan;	30 September 2018
2. Review year end results and agree interim SLA, to align performance with compliance with regulatory requirements and benchmarked against performance of other similar landlord organisations. ; and	31 May 2018
3. Implement new online forms for non emergency repairs, with associated automation to allow for greater focus on emergency repairs.	31 August 2018

4. New Finding - Payments Records Management

Findings	
<p>During testing of Housing Property invoices, 25 invoices were requested from the Council's archives. The box containing one invoice could not be identified and one invoice could not be located in the box numbers provided.</p> <p>The payments team has subsequently sourced the correct box and also obtained a copy of the missing invoice from the supplier.</p>	
Business Implication	Finding Rating
<ul style="list-style-type: none"> Original invoices cannot be located to support the audit trail of paid invoices; and Potential non compliance with Council records management policies and non compliance with current Data Protection and the forthcoming General Data Protection Regulations if sensitive information is recorded on original invoices. 	 <p>Low</p>
Action plans	
Recommendation	Responsible Officer
Payments records management procedures should be reviewed, updated where required, and consistently applied when archiving invoices.	Sheila Haig, Customer Manager. Transactions: Assessment & Finance
Agreed Management Action	Estimated Implementation Date
Archiving procedure to be reviewed and refresher provided to all relevant staff.	31 May 2018

Appendix 1 – Outcomes summary

Original Finding raised in August 2016	Rating	Status December 2017	Testing outcomes and next steps
Revenue Works			
1. Allocation of works to contactors and authorisation of payments	High	Partially implemented	<p><u>Testing Outcomes</u></p> <p>Three of the original five agreed management actions in relation to application of invoice approval authorities; employee training; and compliance checking performed by the HP compliance team have not been fully implemented.</p> <p><u>Next Steps</u></p> <p>This High rated finding will be reopened and tracked as overdue until all agreed management actions have been implemented as the remaining risks are significant.</p>
2. Scrutiny of Invoices	High	Partially implemented	<p><u>Testing Outcomes</u></p> <p>One of the original seven agreed management actions in relation to quality assurance has not been implemented. Management action required to address this finding is included in recommendation 1 above.</p> <p><u>Next Steps</u></p> <p>This finding will be closed and the outstanding management action addressed as part of finding 1 (above)</p>
3. Quality Assurance	High	Partially implemented	<p><u>Testing Outcomes</u></p> <p>Two of the original six agreed management actions in relation to site inspections have not been implemented.</p> <p><u>Next Steps</u></p> <p>As the remaining risks are moderate as opposed to significant, this finding will be reopened with a Medium rating and tracked as overdue until all agreed management actions have been implemented</p>

Original Finding raised in August 2016	Rating	Status December 2017	Testing outcomes and next steps
4. Repairs Direct	High	Fully implemented	<p>Next Steps</p> <p>Whilst all agreed management actions to close the High rated finding have been implemented, the expected uplift in performance has not been achieved.</p> <p>Consequently, a new Medium rated finding reflecting the opportunity to improve performance has been included at finding 3.</p>
5. Contract Monitoring	Medium	Fully implemented	N/A
6. Management Information	Medium	Fully implemented	N/A
7. Manual Process	Advisory	Fully implemented	N/A
Capital Works			
1. Contract Monitoring	High	Fully implemented	No new capital contracts have been authorised since June 2016. However, delegated authority approval dated 27 January 2017 in favour of the Housing Property Manager is available for contract values of up to 5 million, signed by Executive Director of Place.
2. Capital projects procured by third parties	Low	Fully implemented	N/A

Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance ; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 3 – Terms of Reference

Place

Terms of Reference – Edinburgh Building Services

To: Paul Lawrence, Executive Director of Place

From: Lesley Newdall, Chief Internal Auditor

Date: 27th November 2017

Cc: Michael Thain, Head of Place Development

Alexander Burns, Housing Property Manager - Housing & Regulatory Services

This review is being undertaken as part of the 2017/18 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2017.

Background

In August 2016, an Internal Audit of contract management arrangements and processes was conducted for two service areas, Edinburgh Building Services (EBS), and Housing Asset Management. The two service areas joined together on 5 September 2016 to form 'Housing Property' through the transformation programme and provide a streamlined repair, maintenance and capital programme service to council houses and Housing Revenue Account land.

In December 2016, Internal Audit submitted a report to the Governance, Risk, and Best Value Committee (GRBV), detailing the outcomes of the EBS Contract Management review.

The audit raised 9 Findings raised (5 High; 2 Medium; 1 Low and 1 Advisory), and EBS has confirmed that all agreed management actions have now been completed.

GRBV requested that Internal Audit provide an update on recommendations to GRBV by November 2017.

Scope

This review will confirm whether all agreed management actions resulting August 2016 Contract Management review have been effectively implemented and sustained, and support provision of a progress update to GRBV in January 2017. Our scope will also consider the design and operating effectiveness of any newly introduced controls in EBS.

Where management actions have been controlled, and our testing confirms that controls have not been sustained, audit recommendations will be re-opened.

Limitations of Scope

Our scope is detailed above, and there are no specific scope limitations.

Approach

Our audit approach is as follows:

- Obtain an understanding of the management actions implemented to address the control weaknesses identified in relation to work allocation; contractor monitoring; invoice scrutiny; and quality assurance through discussions with key personnel, review of systems documentation and walkthrough tests;

- Confirm whether the key risks associated with these processes are being effectively managed;
- Confirm that the controls that have been implemented have been sustained; and
- Test the operating effectiveness of the key controls.

The sub-processes and related control objectives included in the review are:

Sub-process	Control Objectives
	Ensure that management actions to address the following Internal Audit recommendations have been effectively implemented and maintained:
Allocation of works to contractors and authorisation of payments	<ul style="list-style-type: none"> • The existing delegation of financial limits for authorisation of repair orders to Repairs Direct and authorisation of invoices will be reviewed and revised. Repair orders and invoices of high value will subject to secondary approval. • The allocation of works process (assigning work to a procured contractor) will be reviewed and a robust system identified and embedded to ensure that an officer does not authorise the payment of any works which they ordered • All staff involved in authorisation of work and payments will be trained in these new limits and processes. • Role of compliance teams will be strengthened and include a percentage audit of authorisation processes and secondary approvals. Any anomalies will be reported to the Housing Property Manager. • Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Services Senior Management Team.
Scrutiny of Invoices	<ul style="list-style-type: none"> • Letter will be sent to contractors re-iterating the requirement to comply with all aspects of invoice submissions. Where this is not complied with the invoice will be rejected. • Schedule of Rates (SORs) have been re-issued to contractors and Team Leaders. • Variation to any works order will require to be agreed in advance of work being carried out. Any variation above a set financial limit will require sign off by Team Leader or Operations Manager, depending on the value. This will be communicated to contractors. • Process for authorisation of invoices will be reviewed ensuring clarity on authorisation limits, what information/documentation must be present for sign off, where invoices should be rejected. • All relevant staff will be retrained on revised procedures including SORs. • Random selection of invoices from each contractor will be investigated each month by the Compliance Team to ensure that agreed submission and authorisation processes are being followed. Any anomalies will be reported to the Housing Property Manager • Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board

	<p>meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Services Senior Management Team.</p>
Quality Assurance	<ul style="list-style-type: none"> • An improved Site Inspection Checklist has been devised, which includes a scoring framework for works. • Site inspection will be targeted to contractors, and individual trades based on analysis of increased expenditure, customer feedback and any potential or reported safety risk or incidents. The programme will target 2% of jobs completed. • Empty Homes and Kitchen and Bathroom inspections will be included as part of the quality assurance check process. This would provide an additional 2,500 inspections within the programme. • All relevant staff will be retrained on revised procedure. • Independent Review of Gas Safety Processes and Standard of Work to be carried out. • Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Senior Management Team. • Discussions were held with Procurement Services on Housing Property being early adopters of revised corporate contract management processes.
Repairs Direct	<ul style="list-style-type: none"> • The recommendation to consider accelerating Channel Shift at Repairs Direct will be taken to Senior Managers in the Resources directorate. • Performance measures set out in the SLA will be jointly scrutinised and monitored on a monthly basis. • Staffing at Repairs Direct to be reviewed and additional staff put in place. • Revised shift patterns to be implemented.
Contract Monitoring	<ul style="list-style-type: none"> • Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Services Senior Management Team. • Within the new Housing Property Structure the focus of the in-house Compliance team will be to audit all aspects of the practices and procedures of contract management and to report findings directly to the Housing Property Manager. Members of team will be trained in role and required processes. • Letter will be sent to contractors re-iterating the requirement to comply with all aspects of invoice submissions. Where this is not complied with the invoice will be rejected.
Management Information	<ul style="list-style-type: none"> • EBS will work with Finance colleagues to agree a formula to calculate the true cost of EBS operatives and external contractors.

	<ul style="list-style-type: none"> • A business case to procure a consultant to review the SOR rates will be put forward to Commercial Procurement Services. • A review of the cost of external and internal resources will be carried out.
Manual Processes	<ul style="list-style-type: none"> • Refresher training to be rolled out to all relevant staff regarding all aspects of authorisation or work and invoices including checking of SORs. Where schedule of rates have not been applied, the invoice will be rejected. • The requirements for the new ICT system to support electronic invoicing will form part of the scoping document which will be submitted to ICT team.
Contract Monitoring	<ul style="list-style-type: none"> • Bi monthly meetings will be held with contractors which will include review of KPI performance, quality of work, cost and safety. • Capital contracts will be included in the remit of the Contract Management Board which will sit on a monthly basis, chaired by the Housing Property Manager. Reports on KPIs, quality, cost and safety will be reviewed by the contract management board so that any issues will be quickly identified and risk managed appropriately.
Capital projects procured by third parties	<ul style="list-style-type: none"> • Housing Property will ensure that all contracts are approved in line with contract standing orders. All delegated authority approval will be evidenced for records. • Compliance Team will audit compliant sign off of contracts as part of their monthly audit; any anomalies will be reported to Housing Property Manager and Head of Service.

Internal Audit Team

Name	Role	Contact Details
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Key Contacts

Name	Title	Role	Contact Details
Paul Lawrence	Executive Director – Place	Review Sponsor	0131 529 7325
Michael Thain	Head of Place Development	Key Contact	0131 529 2426
Alexander Burns	Housing Property Manager	Key Contact	0131 529 5890

Timetable

Fieldwork Start	21 November 2017
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Fieldwork Completed	12 December 2017
Submission of Draft Report	22 December 2017
Response from Auditee	15 January 2018
Final Report to Auditee	26 January 2018

Follow Up Process

Where reportable audit findings are identified, the extent to which each recommendation has been implemented will be reviewed in accordance with estimated implementation dates outlined in the final report.

Evidence should be prepared and submitted to Audit in support of action taken to implement recommendations. Actions remain outstanding until suitable evidence is provided to close them down.

Monitoring of outstanding management actions is undertaken via monthly updates to the Director and his executive assistant. The executive assistant liaises with service areas to ensure that updates and appropriate evidence are provided when required.

Details of outstanding actions are reported to the Governance, Risk & Best Value (GRBV) Committee on a quarterly basis.

Appendix 1: Information Request

It would be helpful to have the following available prior to our audit or at the latest our first day of field work:

- The file containing evidence of implementation of recommended action points

This list is not intended to be exhaustive; we may require additional information during the audit which we will bring to your attention at the earliest opportunity.