

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 November 2014

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Modernisation Programme (SHQS)

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Modernisation Programme (SHQS).

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of the Council's Housing Modernisation Programme (SHQS) was undertaken as part of the audit plan for 2013/14.
- 3.2 The main objective of the audit was to review the effectiveness of the Modernisation Programme (Existing Stock) and to report on progress made by the Council towards meeting the Scottish Housing Quality Standard (SHQS).
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

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EAST LOTHIAN COUNCIL – INTERNAL AUDIT MODERNISATION PROGRAMME (SHQS)

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2013/14, a review was undertaken of the Council's Housing Modernisation Programme (SHQS).

1.2 Areas where Expected Controls were Met

- A detailed Delivery Plan was developed in 2006 clearly outlining how the Council proposed to meet the Scottish Housing Quality Standard (SHQS) by the target date (2015) set by the Scottish Executive.
- An independent survey was commissioned to assess the condition of the Council's housing stock – 94% of the Council's housing stock was surveyed by the independent surveyor in four separate tranches. In addition, since 2013 surveys have been carried out in-house to update the stock condition data held by the Council.
- Adequate funding was made available through the Council's Modernisation Programme to meet the investment required to ensure the Council achieved the SHQS by 2015.

1.3 Areas with Scope for Improvement

- The planned programme of works was not clearly aligned to the findings of the stock condition survey to ensure that investment was targeted to those properties identified as potentially failing the SHQS. We note however that since 2013 Management have sought to address weaknesses identified in the previous practices. *Risk – failure to achieve the SHQS.*
- There was a lack of adequate arrangements in place to ensure effective monitoring of the budgeted spend – for certain areas critical to achieving the standard, there was a failure to ensure 100% budgeted spend. *Risk – failure to meet the SHQS target.*
- There was a failure to ensure that progress was measured against key milestones to enable slippages to be identified and the delivery plan to be adjusted where necessary in light of the progress being made. *Risk – failure to achieve the SHQS.*
- A stock condition survey database was in place, however there was a failure to ensure that the database was updated to reflect repairs work undertaken on properties. We note that the Council has recently procured asset management software (Keystone) which is currently being populated with key information held. *Risk – information held may be incomplete.*

1.4 Summary

Our review of the Modernisation Programme (SHQS) has identified areas with scope for improvement. Detailed findings and recommendations are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

November 2014

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
5.1	Effective monitoring and reporting arrangements should be put in place for the Council's Modernisation Programme to ensure the delivery of the SHQS.	High	Head of Communities and Partnerships	Arrangements being put in place to address – new Asset Team established and Manager appointed. Keystone asset management tool purchased and installed in June 2014 and data being input since then. Quarterly reporting on HRA expenditure now being reported to Cabinet (from Nov 2014). Regular reporting and liaison taking place with Scottish Housing Regulator.		Progressing to meet April 2015 compliance.
5.2	Management should ensure the accuracy of the Council's reported SHQS performance, sufficient to withstand scrutiny from the Scottish Housing Regulator.	High	Head of Communities and Partnerships	Previous data / intelligence being validated. Keystone asset management tool has capability of producing accurate reporting information on housing stock condition. Agreed actions are a key priority for Community Housing under the day to day direction of the recently appointed Asset Manager.		Progressing to meet April 2015 compliance.

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.