

# Internal Audit Report

## Management of Ad hoc Mixed Tenure Works

2 November 2023

PL2302

<b>Overall Assessment</b>	<b>Limited Assurance</b>
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This Internal Audit review is conducted for the City of Edinburgh Council under the auspices of the 2023/24 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2023. 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 are 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.

# Executive Summary

Overall  
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## Overall opinion and summary of findings

The controls established to ensure that the Council's policies and processes for engaging with owners and private landlords for scheduling and funding/payment for ad hoc common repairs across mixed tenure blocks require improvement. The following significant gaps, issues and areas of non-compliance have been identified, which if not addressed may expose the Council to risks and impact the achievement of Council objectives:

- there are no procedures for ad hoc common repairs where the Council is the lead owner completing repairs within mixed tenure blocks when handled by the locality offices. The Service have advised that they are aware of procedural gaps and a pilot project for emergency mixed tenure repairs is underway which will assist in developing procedures. Record keeping particularly in respect of the recording of decisions made, costs and recharging needs to be improved
- the audit highlighted that there is currently no recharging process when the Council lead on ad hoc mixed tenure common repairs process. The volume and value of ad hoc mixed tenure repairs being carried out and not recharged to owners is unknown and data for this is not easily accessible
- there are no documented post inspection checks carried out for ad hoc mixed tenure common repairs and there is no written quality assurance process in place and no checks of sub-contractor invoices are completed which carries a risk of overpayment. In circumstances where the repair is owner led owners are requested to submit photographic evidence of the repair completed
- the Housing Property risk register does not have specific risks which relate to the mixed tenure common repair process captured
- our audit highlighted a lack of performance data in respect of mixed tenure blocks.

This audit also included a review of a specific whistleblowing case related to mixed tenure works, the observations and findings of which are aligned to those identified in the wider review, therefore relevant recommendations have been amalgamated within this report to avoid duplication.

## Areas of good practice

Our review identified:

- the process for logging mixed tenure repairs through Repairs Direct is effective and guidance is available for officers carrying out this task
- when Repairs Direct issue the repair directly to responsive repairs a flowchart is followed to ensure the repair is completed
- a pilot project is in progress for localities managing mixed tenure emergency repairs as the service has identified control gaps and has begun to take action to address these by trialling a new approach on two emergency cases
- the officers involved in the audit process demonstrated a commitment to customer service and improving processes.

## Management Response to Executive Summary

We welcome the findings of the audit and are committed to developing a robust approach to the Council's role as landlord in ad hoc mixed tenure repairs. It is fully accepted that a review of the Housing Service's approach to taking the lead on mixed tenure repairs, how we deal with cases when owners take the lead and how we ensure that procedures are clearly defined, documented, and followed is necessary. Guidance currently given to officers is to limit the instances when the Council takes the lead to emergencies or exceptional cases only, but it is accepted that this approach requires to be reviewed.

There has been significant progress made in developing the Council's approach to planned mixed tenure works through the work of the Mixed Tenure Improvement Service and the learning, good practice and expertise that has been developed through that team is informing the development of procedures for ad hoc repairs. Guidance has been developed for officers and is being tested through two pilot projects; this will be used to inform the development of procedures moving forward. It is also acknowledged that progressing mixed tenure repairs and ensuring proper engagement with owners takes place is resource intensive and it will be essential to ensure that the service is resourced accordingly.

## Audit Assessment

Audit Area	Control Design	Control Operation	Findings	Priority Rating
1. Ad hoc Mixed Tenure Common Repairs Processes and Procedures			Finding 1 – Processes and Procedures	High Priority
2. Funding/Recharging Arrangements			Finding 2 – Recording Key Information and Decisions	Medium Priority
3. Quality Assurance, Risk Management and Performance Reporting			Finding 3 – Quality Assurance Processes	Medium Priority
			Finding 4 – Role specific learning and induction	Low Priority
			Finding 5 – Performance Data	Medium Priority
			Finding 6 – Risk Management	Low Priority

[See Appendix 1 for Control Assessment and Assurance Definitions](#)

# Background and scope

Mixed tenure blocks consist of housing accommodation (flats) owned by the Council, Registered Social Landlords and private homeowners, including private landlords. These blocks are occupied by owner occupiers, private tenants, Registered Social Landlord tenants and Council tenants.

Management provided a presentation on Mixed Tenure Challenges and Shared repairs which stated that 68% of Edinburgh residents live in flats.

There are 3,820 mixed tenure blocks. The Council have 12,615 flats in mixed tenure blocks. As an owner of social housing and a local authority landlord, the Council has an obligation to maintain and repair homes for its tenants and shares responsibility with other owners to maintain common areas of blocks. Common areas are the shared parts of a block out with the boundaries of the individual flat and include aspects such as the roof, external walls, stairwells and walkways, common windows, and doors, refuse disposal chutes/stores and drying areas.

The [Tenements \(Scotland\) Act 2004](#) provides default law, and where required, the legal framework to facilitate the delivery of essential repairs and maintenance to common (shared) areas of the block. The Act requires all owners in mixed tenure tenements (including the Council) to take responsibility for repairs and maintenance to common areas of the block. This responsibility extends to the liability for costs arising from work carried out to Scheme property.

According to [Scottish Government statistics](#), in 2021/22, 94% of Housing Revenue Account (HRA) monies came from income on rents and 41% was spent on repairs and maintenance.

One of the key objectives of the Housing Revenue Account (HRA) Budget Strategy 2018 – 2023 was to deliver improvements to mixed tenure estates.

The Council's [Mixed Tenure Improvement Service](#) was implemented in October 2020 and assists in arranging essential repairs and maintenance in tenements where the Council acts as an owner and takes the lead owner role to progress works.

[Edinburgh Shared Repairs Service](#) (ESRS) offers free advice and information to help owners organise repairs. They can also take the lead on a repair in default of owners, but these tend to be for higher value repairs.

The [Housing \(Scotland\) Act 2006](#) gives local authorities powers to provide a wide range of advice, information, practical and financial assistance to homeowners. [The Scheme of Assistance](#) aims to provide help and assistance to homeowners who require repairs to their home.

The service is currently running a pilot project in North East and South West locality offices for Housing officers to manage emergency repairs in mixed ownership block. The two pilot cases are running between July 2023 and October 2023 and will be reviewed by the Mixed Tenure Improvement board prior to implementation.

Officers advised there used to be a dedicated recharge officer who managed mixed tenure repairs, however, following a service re-structure in 2016, the officer was redeployed to a new role. Management have advised that as part of an ongoing service review, the need to establish some additional resources to support recharging to owners has been identified as a priority and will form part of the proposals.

## Scope

Following conclusion of a whistleblowing investigation in August 2022, which included an allegation related to mixed tenure repairs, Internal Audit was requested by the Governance, Risk and Best Value (GRBV) Committee to review the circumstances relating to the specific allegation to ensure Council procedures were followed.

GRBV also requested that Internal Audit assess the adequacy of design and operating effectiveness of the current key controls established to ensure the Council's policies and processes for engaging with owners and private landlords for scheduling and funding/payment for common repairs across mixed tenure blocks are adequate and complied with.

## Risks

- Service Delivery
- Regulatory and Legislative Compliance
- Financial and Budget Management
- Supplier, Contractor, and Partnership Management
- Health and Safety

## Limitations of Scope

Due to limited capacity within services and Internal Audit, the following areas were specifically excluded from the scope of our review:

- The Mixed Tenure Improvement Service where the service acts as an 'owner' in low rise tenements facilitating repairs and maintenance works
- Multi Storey blocks (5 storeys and above) where the Council is the factor
- Edinburgh Shared Repairs Service – which offers free advice and information to help owners organise repairs to the shared or common areas.

## Reporting Date

Testing was undertaken between 06 July 2023 and 18 September 2023.

Our audit work concluded on 21 September 2023, and our findings and opinion are based on the conclusion of our work as at that date.

# Findings and Management Action Plan

## Finding 1 – Processes and Procedures

Finding Rating	High Priority
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Our review found that there are no procedures within locality offices for the Council being the lead owner when completing mixed tenure repairs and highlighted that there is no process covering:

- the authorisation levels of mixed tenure repair works completed within the Localities
- the rationale and authorisation for completing ad hoc mixed tenure repairs is not documented, particularly for non-rechargeable repairs, where a decision has been made for the Council to pay for the repair, and therefore a conflict of interest could go undetected
- timescales and charging arrangements including the circumstances where the repair should be recorded as no recharge to owners
- guidance on what is determined as a Health and Safety repair should be established, as currently ad hoc repairs are being carried out on the basis that the repair poses a health and safety risk when it may not be applicable
- recording evidence of decisions made as documented in [finding 2](#) of this report
- post inspection and quality assurance checks as documented in [finding 3](#) of this report.

Our review also highlighted instances where:

- mixed tenure repairs are directed to the locality office, and the Council completes and pays for the ad hoc mixed tenure repair with no recharge to owners. Officers advised they arranged the repair if it affected their tenant to maintain good service, however, this was not consistent and grounds for carrying out repairs varied.

The policy and procedure register held with Tenant and Resident Services (TRS) is out of date and a number of actions are overdue. It was noted that the register was not up to date due to a lack of resource to update the register.

### Risks

- **Financial and Budget Management** – loss of income to HRA Account and risk of overspend in HRA budget
- **Governance and decision making** – senior management may not have oversight of the delivery of the service
- **Workforce/Service Delivery** – frontline colleagues may not provide a consistent service and key person dependency is noted
- **Reputational Risk** - reputational damage due to tenant rents funding owner repairs
- **Regulatory and Legislative Compliance** - if guidance and materials are not regularly reviewed, they may no longer align with organisational and legislative changes
- **Fraud and Serious Organised Crime** – conflict of interest and potential instances of fraud could go undetected.

## Recommendations and Management Action Plan: Processes and Procedures

Ref.	Recommendations	Agreed Management Action	Action Owner	Lead Officers	Timeframe
1.1	<p>Mixed tenure procedures which cover the process where the Council is the lead owner when completing emergency and responsive repairs within mixed tenure blocks should be documented, approved by senior management, and communicated to relevant colleagues.</p> <p>Procedures should include:</p> <ul style="list-style-type: none"> <li>• authorisation levels for value of works to be completed. The rationale and authorising arrangement should be documented and stored in line with the service areas records management requirements</li> <li>• requirement for non-rechargeable repairs to be authorised by a senior manager and for the authorisation to be recorded on file</li> <li>• timescales and charging arrangements including the circumstances where a repair should be recorded as being no recharge to owners</li> <li>• guidance on what is determined to be a Health and Safety essential repair should be established</li> <li>• requirement to record evidence of decisions made as per <a href="#">finding 2</a> of this report</li> <li>• post inspection and quality assurance checks as per <a href="#">finding 3</a> of this report</li> <li>• in addition, documents should be held in a central location, and the version control and date of next review should be included on the procedure documents.</li> </ul>	Procedures, including appropriate authorisation procedures, will be developed based on best practice being followed by the mixed tenure improvement service.	Executive Director of Place	Head of Housing Operations	31/05/2024
1.2	Monitoring and review of the policy register should be allocated to a responsible officer, with appropriate contingency to cover absence and prevent key person dependency.	Recommendation agreed.			31/01/2024

## Finding 2 – Recording Key Information and Decisions

Finding Rating	Medium Priority
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Our review found that records for carrying out an ad hoc mixed tenure repair including the reasons behind the decision and process followed were not formally documented. Although the repair is recorded on NEC, (the system used for housing management including repairs), much of the information which was relevant was stored in officer email inboxes which may not always be accessible, cannot be accessed by others without permissions and/or can be deleted.

Some records such as who carried out the repair, the total cost of the overall repair (or whether it was carried out as a gesture of goodwill) were not available at all. This is linked to a lack of formal processes and procedures which should include appropriate recording of key information and decisions taken (see [finding 1](#)).

Record keeping was found to be sporadic making it difficult to piece together when evidence of a decision is required. Lack of formal record keeping means officers cannot evidence that procedures were followed in line with council policies and code of conduct and may expose officers to allegations of misconduct or fraud.

### Risks

- **Governance and decision making** – senior management may not have oversight of the delivery of the service
- **Reputational Risk**- risk of allegations of conflicts of interest
- **Fraud and Serious Organised Crime** – Fraud would be more difficult to detect
- **Financial and Budget Management** – best value may not be achieved
- **Regulatory and Legislative compliance** – the Council may not meet statutory and records retention requirements.

## Recommendations and Management Action Plan: Recording Key Information and Decisions

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
2.1	<p>The mixed tenure procedures referred to in <a href="#">finding 1</a> should include how and where decisions for completed repairs should be recorded and detail how records should be maintained in line with the Councils' records management policy.</p> <p>The procedure for the recording of decisions where normal procedures is not followed, should include the rationale for the decision made, the outcome and the authorising manager.</p> <p>Records of decisions made should be electronically stored in appropriate locations/system, which is accessible to relevant officers as required, with appropriate protections for sensitive data.</p>	<p>Records of decisions made should currently be electronically stored in the NEC system.</p> <p>This will be specified in the procedures as outlined under action 1.1.</p>	Executive Director of Place	Head of Housing Operations	31/05/2024

## Finding 3 – Quality Assurance Processes

Finding Rating	Medium Priority
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There are no quality assurance processes in place for the ad hoc mixed tenure repairs end to end process (including coverage of scheduling, processing, and recharging repairs). This is linked to a lack of formal processes and procedures (as detailed in [finding 1](#)).

Post inspections checks are not carried out. There is no process for checking the completion and the quality of repairs when it is arranged by either the Council or the owner and there is no cross checking of invoices received from contractors.

Additionally, there is no action plan for mixed tenure processing errors and no record of discussions or feedback with staff following errors. Managers advised errors are mainly noticed following a complaint and discussed informally with officers.

### Risks

- **Financial and Budget Management** – the Council may not achieve best value from contractors and may be charged for work not completed
- **Governance and Decision Making** – management are unaware of issues and make uniformed decisions
- **Reputational Risk** - errors may not be rectified and could affect customers
- **Fraud and Serious Organised Crime compliance** – systemic issues which could indicate potential fraud are not identified
- **Service Delivery** – failure to identify areas of improvement and learning needs required to improve performance

## Recommendations and Management Action Plan: Quality Assurance Processes

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
3.1	<p>A quality assurance programme should be created to review the completion and quality of repairs carried out in mixed tenure blocks. The programme should include a clear methodology which sets out:</p> <ul style="list-style-type: none"> <li>• sample size of cases to be reviewed</li> <li>• how frequently quality reviews will be performed, and by which officers</li> <li>• what elements of the mixed tenure repair process will be checked - we would recommend that the areas highlighted in the audit finding are covered</li> <li>• lessons learned and remedial work to be performed</li> <li>• which officers and groups will receive the associated reporting on the results of quality assurance exercises.</li> </ul>	Recommendation accepted.	Executive Director of Place	Head of Housing Operations	31/05/2024

3.2	Documented procedures should be produced for the quality assurance process referred to in recommendation 3.1 above. This procedure should be aligned / integrated into the mixed tenure procedure document referred to in <a href="#">finding 1</a> .	Recommendation accepted			31/05/2024
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## Finding 4 – Role specific learning and induction

Finding Rating	Low Priority
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Whilst essential learning is accessed via and recorded on myLearning Hub, (the Council’s learning platform), and reminders are cascaded through the management team, it was noted that ongoing role specific learning or records of induction training are not stored centrally. Operations managers were unable to provide a completed, signed off induction or had access to what training colleagues had completed.

### Risks

- **Workforce** – officers may not be completing all the required role specific learning for their role
- **Service Delivery** - opportunities to identify gaps in learning may not be captured and addressed fully and in a timely manner.

## Recommendations and Management Action Plan: Role specific learning and induction

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
4.1	Housing management should engage with the Council's Learning and Development team to ensure that learning and development matrices on the Orb for officers are up to date and to agree arrangements for ensuring completion of training can be monitored by line managers as well as Heads of Service.  Where relevant, local records should be maintained and accessible to evidence completion of statutory training.	Recommendation accepted	Executive Director of Place	Head of Housing Operations	31/05/2024

## Finding 5 – Performance Data

Finding Rating	Medium Priority
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A review of performance data was completed which highlighted a lack of performance data for mixed tenure blocks with no current mechanism for monitoring the frequency or costs associated with low level (less than 4 storeys/8m) mixed tenure repairs where the Council covered the cost and did not charge owners their share. The volume and value of mixed tenure repairs being carried out and not recharged to owners is unknown and is not easily accessible. Officers advised this was due to having no procedures to progress repairs through the Tenement Management Scheme (TMS).

In addition, it was identified that the recording of mixed tenure data, where the Council took the lead on a repair, was not being coded within the Housing Property recording system NEC.

### Risks

- **Strategic Delivery** – Council objectives may not be achieved
- **Financial and Budget Management** – Risk of overspend if cost and frequency is not monitored
- **Governance and Decision Making** – risks are not identified and managed
- **Service Delivery** – Colleagues are unaware of risk
- **Regulatory and Legislative Compliance** – Statutory requirements may not be met

## Recommendations and Management Action Plan: Performance Data

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
5.1	<p>A review of the mixed tenure performance data should be completed to ensure that meaningful data can be extracted for monitoring purposes. How ad hoc mixed tenure repairs are recorded should be incorporated into the above review and should include:</p> <ul style="list-style-type: none"> <li>• consideration of system improvements to the NEC system to ensure that mixed tenure repairs are being coded correctly within the system. IA appreciates that this may need consultation with the Council's IT providers.</li> </ul> <p>If the above is not feasible alternative controls require to be implemented to address the control weakness identified.</p> <ul style="list-style-type: none"> <li>• the ability to obtain meaningful reports for scrutiny and monitoring such as:</li> </ul>	<p>Phased implementation</p> <p>Phase 1 – engage with ICT/CGI colleagues regarding NEC upgrade potential</p> <p>Phase 2 - undertake review of mixed tenure performance data including consideration of system improvements and ability to obtain meaningful reports for scrutiny</p>	Executive Director of Place	Head of Housing Operations	<p>Phase 1 30/04/2024</p> <p>Phase 2 To be determined on completion of Phase 1</p>

	<ul style="list-style-type: none"> <li>○ a report which allows the monitoring and scrutiny of repairs where a decision has been taken to carry out a repair and not recharge owners</li> <li>○ reports which include data such as the frequency, number and cost of repairs being carried out by the Council in mixed tenure blocks, out with those works led by the Mixed Tenure Improvement Service or works undertaken by the Council when acting as Property Factor in high rise blocks, would be more transparent and easily accessible.</li> </ul>				
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## Finding 6 – Risk Management

Finding Rating	Low Priority
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A review of the Housing Property risk register highlighted that although there was reference to mixed tenure in some of the wider risks within the register, there are no specific risks directly related to mixed tenure repairs recorded within the risk registers. Some managers were not aware of the risk register for their service and were not involved in discussions around risk.

### Risks

- **Strategic Delivery** – Council objectives may not be achieved
- **Governance and Decision Making** – risks are not identified and managed
- **Service Delivery** – colleagues are unaware of risks impacting service delivery

## Recommendations and Management Action Plan: Risk Management

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
6.1	<p>A review of risks related to mixed tenure repairs and works should be undertaken and risks identified should be recorded within the Housing Property risk register. This should include the risks associated with the issues raised in this report.</p> <p>Mixed tenure risks should be discussed with all relevant operational managers with mitigating actions agreed, recorded, and tracked as required.</p> <p>Mixed tenure risks should be embedded into regular team meeting discussions to increase risk awareness, with support sought from the Council’s Corporate Risk team, if required.</p>	<p>Recommendation accepted.</p> <p>Mixed tenure risks in relation to ad hoc repairs will be incorporated into the updated Housing Operations Risk Register.</p>	Executive Director of Place	Head of Housing Operations	29/02/2024

# Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed		Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory		Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity		Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity		Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	N/A	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

## Overall Assurance Ratings

<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

## Finding Priority Ratings

<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
<b>Low Priority</b>	An issue that results in a small impact to the achievement of objectives in the area audited.
<b>Medium Priority</b>	An issue that results in a moderate impact to the achievement of objectives in the area audited.
<b>High Priority</b>	An issue that results in a severe impact to the achievement of objectives in the area audited.
<b>Critical Priority</b>	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.