

Argyll and Bute Council

Internal Audit Report

December 2022

FINAL

Private Sector Grants and Housing Adaptations

Audit Opinion: Substantial

	High	Medium	Low	VFM
Number of Findings	0	1	2	0

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1. Executive Summary

Introduction

1. As part of the 2022/23 internal audit plan, approved by the Audit & Scrutiny Committee in March 2022, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Private Sector Housing Grants (PSHG) and Housing Adaptations.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Section 72 of the Housing (Scotland) Act 2006 (the Act) requires local authorities to prepare and make publicly available a Scheme of Assistance outlining the circumstances in which they offer assistance for private sector housing.
5. The Scottish Government have issued accompanying guidance - the Implementing the Housing (Scotland) Act 2006 advisory guidance for Local Authorities, to aid the preparation and delivery of their duties under the Act.
6. The Scheme of Assistance is the Council's plan on how to improve the quality and suitability of private sector housing across Argyll and Bute by offering the following support;
 - **Advice and Information** (along with key partners in their relevant areas of expertise) - on home repairs, maintenance, improvements, adaptations, home energy efficiency and fuel poverty.
 - **Practical Assistance** - relating to the repair and maintenance of homes
 - **Financial Assistance:**
 - i. **Adaptations** – 3 Types of Grant available, one is mandatory and 2 discretionary
 - ii. **Repairs** – 7 Types of Grant available, 6 are discretionary and the other is the Home Energy Efficiency Scheme (HEEPs).
7. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) requires Health Boards and Local Authorities to integrate planning for, and delivery of, certain adult health and social care services. This legislation means that from 1st April 2016 the Integrated Health and Social Care Body has responsibility for disabled adaptations. To reflect this the Council's Scheme of Assistance document outlines application criteria detail 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.
Incorporated within Part 1 is the management of the contract for Argyll and Bute Care and Repair Services relating to adaptations.
- **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.
- Local Authorities receive Private Sector Housing Grant (PSHG) enables the Council to deliver statutory disabled adaptations to private owners and also enables the Council to fulfill other statutory functions in relation to common repairs as outlined within the Council's Scheme of Assistance. The amount of capital resources allocated to PSHG from 2016-17 to 2021-22 has been £1.033m per annum, as per the General Capital Grant award however the 2021- 22 settlement reduced this to £0.941m. The Council, at its budget meeting on 24th February agreed to fund the gap of £0.092m through borrowing for 2022-2025.
- The use of the PSHG is detailed in the table below:

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Advice and Prevention Cases Recorded	254	259	214	189	166	153
No of Grants Approved	243	181	219	232	138	208
Grant Approvals (£)k	£1.192m	£0.862m	£1.048m	£1.002m	£687k	£884k
New Applications Registered	239	189	240	234	131	218
Value of Payments (£)k	£1.454m	£1.054m	£0.980m	£1.152m	£0.421m	£0.552m
Disabled Adaptations Grant Spend (DAG)						
Disabled Adaptations Grant Spend (DAG)	£849k	£640k	£701k	£764k	£332k	£503k
Common Repairs Spend	£605k	£414k	£279k	£388k	£89k	£49k
TOTAL	£1.454m	£1.054m	£0.980m	£1.152m	£0.421m	£0.552m

Scope

- The scope of the audit was to assess compliance with policies and procedures as outlined in the Terms of Reference agreed with the Development Policy and Housing Strategy Manager on 21 September 2022.

Risks

- The risks considered throughout the audit were:
 - **SRR03:** Financial Sustainability– Insufficient resource to meet current and future service requirement. Budget not aligned/does not support business outcomes.

- **ORR52:** Housing Services Adaptation – various risks due to impact of Covid and materials availability and price increases.
- **Audit Risk 1:** Failure to deliver statutory functions
- **Audit Risk 2:** Failure to comply with established processes and procedures

Audit Opinion

13. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
14. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Recommendations

15. We have highlighted one medium priority recommendations and two low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
- Procedure notes do not specify timescales for requests to record the Council’s interest on beneficiaries’ title deeds nor the associated fees, which are to be processed after final payment of grant. Procedure notes should include timescales and journals for income should be credited to Legal Services and not via PSHG income code.
 - The Scheme of Assistance does not contain up to date information and should be updated after the outcome of the national policy review.
 - Procedures and shared Documents should be updated to reflect current working practices, which have evolved due to hybrid working arrangements and the digitalisation of records. Consideration should be given to creating a checklist to promote consistency.
16. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

17. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	The Council has a Scheme of Assistance that is aligned to legislative requirements, is up	Audit Risk 1 SRR03	Unsatisfactory	The Council has a Scheme of Assistance that is aligned to legislative requirements, which is publicly available but is not up to date. The Council has volunteered to participate in a review of the Scheme

	to date and publically available.			of Assistance, together Scottish Government, Scottish Housing Network (SHN) and other stakeholders. On completion of this review the Councils' Scheme of Assistance will be updated An action with a target date of 2023, is contained in the Local Housing Strategy (LHS) 2022-2027, progress toward this is reported annually to Area Committees.
2	Applications and referrals for assistance are assessed, processed and recorded in line with procedures/guidance	Audit Risk 2	Unsatisfactory	<p>The Council has procedures and a range of shared documents for staff in relation to the PSHG. While the vast majority of requirements are included there would be benefit to updating these to reflect current working practices, which have evolved due to hybrid working arrangements and the digitalisation of records.</p> <p>Grant conditions require the Council's interest be recorded on beneficiary's title deeds. The procedure notes do not currently specify a timescale for requests to be passed to Legal Services. There is evidence of delays which creates a potential risk of loss of ability to recover grant funds should properties be sold or conditions of grant breached. Journals for the recording fees are currently credited to a holding PSHG income account code, not Legal Services.</p> <p>Staff within the team are experienced and so do not always refer to the procedure notes. Consideration should be given to creating a checklist to act as an aide memoire and ensure consistent application of processes.</p>
3	Grants, claims and disbursements are processed in line with procedures/guidance and adequate evidence of expenditure is	ORR52 Audit Risk 2	Satisfactory	<p>There is clear evidence of separation of duties at each stage of the process with staff communicating and working well together to confirm tasks relating to the processing of grants applications and payments are dealt with timeously.</p> <p>There are good record retention processes.</p>

	provided and retained.			There are some minor housekeeping issues mainly related to either procedure notes requiring to be updated or location of documents, this is covered in CO2 above.
4	The PSHG funds are appropriately monitored and reported to ensure sufficient resources are available to those with needs.	SRR03 ORR52	Satisfactory	There is extensive monitoring and reporting of the PSHG funds including performance relating to those helped. The Council has a statutory duty to produce a Local Housing Strategy Annual update and to submit the Housing Statistics Annual return. Reports are provided to Full Council, Area Committees, Strategic Housing Forum and HSCP Strategic Planning Group. Internally, within Housing Services there is evidence of meetings with all levels of staff and budget monitoring meetings with senior Financial Services staff.

18. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

The Council has a Scheme of Assistance that is aligned to legislative requirements, is up to date and publically available.

19. The Council has a Scheme of Assistance that is aligned to legislative requirements, which is publicly available but which does not contain up to date information. Together with Scottish Government, Scottish Housing Network (SHN) and other stakeholders the Council has volunteered to participate in a review of the Scheme of Assistance. In its Local Housing Strategy (LHS) 2022-2027 action plan, the Council has published its commitment that the Scheme of Assistance will be updated in 2023 following the national review.

Action Plan 2

20. The Councils Scheme of Assistance (SoA) which was introduced under the duties and powers set out in the Housing (Scotland) Act 2006, and sets out the strategy of support for owners to address properties which are Below Tolerable Standard (BTS) and in disrepair. Housing Improvement Officers work closely with private owners, landlords and relevant partners, to address issues of poor property condition, common repair works, factoring, and, where applicable, the use of enforcement powers.

21. Assistance, advertised on the Council's website, ranges from provision of advice and information; to financial support to undertake disabled adaptations, common repair works, and bring empty homes back into use. The SoA provides a platform to take a practical approach to encourage and help owners to carry out repair and improvement works to their homes.

22. The Council has a statutory duty to provide a Housing Contribution Statement (HCS) for the Health and Social Care Partnership (HSCP). The HSC has been included in the HSCP joint strategic plan for 2022-2025 which was launched in June 2022.
23. The HSCP have lead responsibility for disabled adaptations and they provide information on various types of Help at Home and in your community on their website. The majority of applications for disabled adaptation grants are initiated by referrals from GPs to Occupational Therapists (OT) who assess what adaptations are required to enable applicants to remain in their own homes and prioritises these needs based on the Prioritisation of Needs Framework. The OT then passes the referral and recommendations to Argyll and Bute Care and Repair (ABCR) who generally act as agents for applicants during the grant application and works processes.
24. Council Housing Services Officers who form the PSHG team hold team meetings to monitor all aspects of the fund, including OT referrals and applications received from ABCR. Minutes provide evidence that there is an ongoing issue with recruiting OTs and that locums have been used in some areas to gain coverage of service, which has led to an uplift in referrals. In order to accurately monitor timescales between the various stages, Council officers have revised the OT referral form to gather this information and assist in tracking the time between key dates.
25. We note the reduction in capital resources allocated from the General Capital Grant for Private Sector Housing Grant (PSHG) and acknowledge the Council's decision to fund the gap of £0.092m through borrowing for 2022-2025.

[Applications and referrals for assistance are assessed, processed and recorded in line with procedures/guidance.](#)

26. The Council has procedure notes for staff detailing the requirements at each stage of the journey from referrals to applications for assistance to closure of files including records retention. While the vast majority of requirements are included there would be benefit to updating these to reflect current working practices, which have evolved due to hybrid working arrangements and the digitalisation of records.
27. Procedure notes state that staff should make folders and store information on their desktops. The information is not accessible by other staff and this does not reflect Council policy that information should be stored in the relevant drive/server on a Council maintained system. Team Leaders have now made arrangements that documents are now stored on the relevant drive.
28. There is a requirement to note the Council's interest and specific conditions on beneficiaries' title deeds in the land register upon completion of works. Requests should be sent to Legal Services department to record the Notice of Payments (RNOP). The procedure note does not set a specific timescale for these to be sent. Testing of grants found requests were not sent to Legal Services at final payment, instead they ranged from 6 weeks up to 22 weeks. This creates a potential financial risk of loss of ability to recover grant funds should properties be sold or conditions of grant breached.

29. The fee for recording the Council's interest on the title deeds is currently £80 and becomes due on final payment of the grant. These fees are initially credited to a PSHG income account and not directly to Legal Services cost centre. The amounts involved are not material in relation to the PSHG budget, however, this may lead to reconciliation delays of PSHG budgets and forecasting issues.

Action Plan 1

30. The ABRITAS system is used to record all requests for information, advice given and practical assistance grants provided. Post Covid, grant applications and supporting documentation are now received by email, however this is not retained and sometimes documents are renamed prior to uploading onto the ABRITAS system. A record preserving the email showing the original grant application and supporting documents should be retained for the avoidance of doubt.
31. A selection of 30 grants with a total value of £194, 000, representing 19% of the approved budget allocation, were selected for testing. The receipt of electronic files has allowed staff in different locations to process grant applications and approvals quickly once the correct supporting documents have been supplied. When signing the application form, owners are required to sign a declaration consenting to be bound by the conditions of the grant.
32. Accurate decision notices were issued to all applicants within the sample reviewed and all awards were appropriately authorised by relevant service staff. Minor issues that have been classed as housekeeping issues have been shared with the team, these include inconsistent application of what constitutes a valid application and the adding of notes/ documents to the system. This is in part due to the fact the Council has to pay for document storage on ABRITAS so some documents are stored elsewhere. Officers advised that they are in discussion with IT regarding finding the most appropriate Document Management system.
33. Staff within the team are experienced and so do not always follow the procedure notes when completing tasks. When updating the procedure notes, consideration should be given to creating a checklist to act as an aide memoire and promote consistent application of processes.

Action Plan 3

34. Applicants or their agents receive two formal communications from the Council:
- An acknowledgement email confirming receipt of their application
 - An Approval of application for grant assistance which is valid for 12 months from issue.
35. Housing Improvement officers, for each area, monitor and follow up their own caseload getting in touch with applicants and ABCR as necessary and provide updates at team meetings.
- Grants, claims and disbursements are processed in line with procedures/guidance and adequate evidence of expenditure is provided and retained.
36. Grants awarded are based on the lowest estimate or quote supplied during a tender exercise. The grant award letters issued state "The Council has decided to pay a grant of ..." and restates the conditions of the grant but there is no reference to this value being a percentage of the costs nor does it state that the value awarded is dependent on actual costs. There is no requirement for the applicant to acknowledge this.

37. 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. Payment certificates evidenced that the sums of the instalment(s) paid did not exceed the value of works carried out at time of payment. As noted previously minor housekeeping issues relating to shared documents have been noted and shared with staff. Officers have advised that shared documents will be updated as part of the review of procedures.
38. The payments are currently being treated as Zero rated for VAT purposes but based on advice from the Council's VAT team, the categorisation should be Out with Scope. Officers have advised that procedures and payment certificates will be updated to reflect this.
39. There is clear evidence of separation of duties at each stage of the process with staff communicating and working well together to ensure tasks are dealt with timeously.
40. Due to the grant conditions requiring that documents are retained for 10 years there are good record retention processes.
41. The Council does not carry out formal inspections and quality assessments of the work prior to payment. In the case of Disabled Adaptation grants these are carried out by ABCR as part of their contract with the Council, prior to them submitting the final request for payment. For all other works reliance is normally placed on the beneficiary's declaration that the works have been carried out to their satisfaction. The note fields within the ABRITAS system is not consistently updated to reflect this.

Action Plan 3

42. End users are not currently asked to provide feedback on the grant process nor is there a process requiring this. Officers advised that moving forward Satisfaction Surveys will be incorporated into the Housing Communication Strategy.

The PSHG funds are appropriately monitored and reported to ensure sufficient resources are available to those with needs.

43. The lead in time associated with grant works sometimes means that payments are made in more than one financial year. As the PSHG is a capital budget there is an automatic carry-forward in to the next financial year. Minutes of PSHG, Housing Management and Budget Holder Engagement meetings were provided to demonstrate the active monitoring of the PSHG funds.
44. There is extensive monitoring and reporting of the PSHG funds and performance towards LSH outcomes, with reports provided to Full Council, Area Committees, Strategic Housing Forum and HSCP Strategic Planning Group. Additionally the PSHG contribution towards Conservation Area Regeneration Schemes (CARS) funding has been presented to DMT and Policy and Resources Committees.
45. The Council has complied with its statutory duty to produce a Local Housing Strategy Annual update and to submit the Housing Statistics Annual return.

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	2	<p>Recording the Notice of Payments and associated fees</p> <p>There is a requirement to note the Council’s interest and specific conditions on beneficiaries’ title deeds in the land register. The procedure note does not set a specific timescale for the request to be sent Legal Services to record of the Notice of Payments (RNOP). The journal processing the recording fees should go straight to Legal Services and not via a PSHG income code.</p>	<p>Potential risk of loss of ability to recover grant funds.</p> <p>Income not credited directly to Legal Services dept may lead to reconciliation of PSHG budgets and forecasting issues</p>	<p>Procedure notes will be reviewed and updated and specific timescales will be introduced for requests and income from recording fees to be sent to Legal Services</p>	<p>Team Lead - Housing operations</p> <p>31 March 2023</p>
Low		<p>The Scheme of Assistance</p> <p>The Councils Scheme of Assistance (SoA) which was introduced under the duties and powers set out in the Housing (Scotland) Act 2006, and sets out the strategy of support for owners to address properties which are Below Tolerable Standard (BTS) and in disrepair does not contain up to date information and should be updated after the outcome of the national policy review.</p>	<p>The public may not be aware of the Councils current Plans and Strategies of support for owners to address properties which are Below Tolerable Standard (BTS) and in disrepair.</p>	<p>As per Local Housing Strategy 2022-2027 Action Plan:</p> <p>The Scheme of Assistance, will be revised in 2023, after the outcome of national policy review on adaptations.</p>	<p>Team Lead - Housing Strategy</p> <p>31 December 2023</p>
Low	3	<p>Procedure Notes and Shared Documents</p> <p>While the vast majority of requirements are included there would be benefit to updating these to reflect current working practices, which have evolved due to hybrid working arrangements and the digitalisation of records. Consideration should be given to creating a checklist to ensure consistent application of processes.</p>	<p>Processes may be applied inconsistently.</p>	<p>Procedures and documents will be reviewed and updated. Checklists to be drawn up and introduced when updating the procedures</p>	<p>Team Lead - Housing operations</p> <p>31 March 2023</p>

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and 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 the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness 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 placing 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 the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.