



**Item: 11**

**Monitoring and Audit Committee: 26 September 2024**

**Internal Audit – Works, Inspection, Repairs and Maintenance**

**Report by Chief Internal Auditor**

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## **1. Overview**

- 1.1. This audit was requested by the Head of Community Learning, Leisure and Housing and included in the 2023/24 Internal Audit Plan, due to concerns about the level and quality of safety inspections being carried out on the Council housing stock.
- 1.2. The Council owns and maintains housing stock on Mainland, linked South Isles and eight additional islands which currently consists of 1,005 properties.
- 1.3. The objective of this audit was to review the Council's policies and procedures surrounding the inspection of Council housing stock and the procedures followed for managing repairs, maintenance, and improvements.
- 1.4. The audit provides Adequate assurance that processes and controls relating to Works, Inspection, Repairs and Maintenance are well controlled and managed.
- 1.5. The internal audit report, attached as Appendix 1 to this report, includes four medium priority recommendations regarding procedural documents, contract management plans, compliance with the Financial Regulations and Contract Standing Orders and Data and Reporting. There are no high priority recommendations made as a result of this audit.

## **2. Recommendations**

- 2.1. It is recommended that members of the Committee:
  - i. Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the policies and procedures surrounding the inspection of Council housing stock and the procedures followed for managing repairs, maintenance, and improvements, in order to obtain assurance that action has been taken or agreed where necessary.

**For Further Information please contact:**

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## Implications of Report

1. **Financial:** None directly related to the recommendations in this report.
2. **Legal:** None directly related to the recommendations in this report.
3. **Corporate Governance:** In terms of the Scheme of Administration, consideration of Internal Audit findings and recommendations and to review actions taken on recommendations made, is a referred function of the Monitoring and Audit Committee.
4. **Human Resources:** None directly related to the recommendations in this report.
5. **Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit reporting.
6. **Island Communities Impact:** An Island Communities Impact Assessment is not required in respect of Internal Audit reporting.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
  - Growing our economy.
  - Strengthening our Communities.
  - Developing our Infrastructure.
  - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
  - Cost of Living.
  - Sustainable Development.
  - Local Equality.
9. **Environmental and Climate Risk:** None directly related to the recommendations in this report.
10. **Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
11. **Procurement:** None directly related to the recommendations in this report.
12. **Health and Safety:** None directly related to the recommendations in this report.
13. **Property and Assets:** None directly related to the recommendations in this report.
14. **Information Technology:** None directly related to the recommendations in this report.
15. **Cost of Living:** None directly related to the recommendations in this report.

## List of Background Papers

Internal Audit Plan 2023/24.

## **Appendix**

Appendix 1: Internal Audit Report – Works, Inspection, Repairs and Maintenance.

## Internal Audit

### Audit Report

### Works, Inspections, Repairs, and Maintenance

Draft issue date: 14 June 2024

Final issue date: 16 August 2024

<b>Distribution list:</b>	<p><b>Corporate Director for Neighbourhood Services and Infrastructure</b></p> <p><b>Corporate Director for Education, Leisure and Housing</b></p> <p><b>Head of Property, Asset Management and Facilities</b></p> <p><b>Head of Community Learning, Leisure and Housing</b></p> <p><b>Service Manager – Property and Capital Programme</b></p> <p><b>Service Manager – Housing, Homelessness and Schoolcare Accommodation</b></p> <p><b>Service Manager – Resources</b></p> <p><b>Service Manager – Safety &amp; Resilience</b></p> <p><b>Team Manager – Maintenance and Heritage</b></p>
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## Audit Opinion

Based on our findings in this review we have given the following audit opinion.

**Adequate**

**Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.**

A key to our audit opinions and level of recommendations is shown at the end of this report.

## Executive Summary

An audit was requested by the Head of Community Learning, Leisure and Housing and the Corporate Director of Education, Leisure and Housing (ELH) in January 2023, due to concerns about the level and quality of safety inspections being carried out on the Council housing stock. This audit was subsequently added to the 2023/24 Internal Audit Plan.

In the interim, the ELH Directorate commissioned an independent consultant to carry out a review and report on the Council's compliance with the Scottish Housing Quality Standards (SHQS). The consultant's report, issued in March 2023 focused on the following areas:

- The level of Electrical Installation Condition Reports (EICR) in place.
- The installation of interlinked smoke alarms.
- An assessment of Energy Efficiency Standards for Social Housing (ESSH1) compliance.
- An assessment of SHQS compliance.

The consultant's overall view of SHQS reporting was that "Throughout the process of determining whether properties pass or fail the various elements of SHQS, OIC has shown a lack of evidence in support of the data used to report on compliance. There are processes which are not being followed and there appears to have been a lack of management/monitoring of various programmes of work. There is a significant amount of work to be done by OIC to ensure they are meeting the requirements of SHQS particularly, in relation to the health and safety criterion."

Further reports by the same consultant were completed in November 2023 and April 2024 to follow up on the original report and action plan.

The Engagement Plans from the Scottish Housing Regulator for 2023/24 and 2024/25 included the requirement 'Orkney must send us monthly updates on its progress to validate and improve the quality of its data used to report compliance with the SHQS and on achieving compliance with electrical safety and fire detection requirements'.

The objective of this audit was to review the Council's policies and procedures surrounding the inspection of Council housing stock and the procedures followed for managing repairs, maintenance, and improvements.

The report includes four recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via the Ideagen Risk Management system.

<b>Total</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>
<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>

The assistance provided by officers contacted during this audit is gratefully acknowledged.

## Introduction

The Council owns a diverse range of land and property assets located across the whole of Orkney. The quality, condition and suitability of the Council's property assets have a direct bearing on the quality and deliverability of front-line services. In order to achieve best value, it is therefore important that these assets are managed in a proactive and efficient way.

The property owned by the Council can be split into three categories.

Operational property is defined as property (land or buildings, or part of a building or both) used in the production or supply of goods or services or for administrative purposes, that is property used in the delivery of Council services. Currently the Council has 228 operational properties.

Non-operational property is not used in the delivery of Council services. It comprises the Council's investment portfolio which includes industrial estate sites and buildings totalling 172 properties.

The Council owns and maintains housing stock on Mainland, linked South Isles and eight additional islands which currently consists of 1,005 properties.

Housing staff within ELH look after the people aspect of the service whilst staff within Neighbourhood Services and Infrastructure (NSI) focus on the repairs and maintenance of the housing stock.

The objective of this audit was to review the Council's policies and procedures surrounding the inspection of Council owned properties and the procedures followed for managing repairs, maintenance, and improvements. This audit focused on the Council's housing stock; a further audit will focus on Council operational properties.

This review was conducted in conformance with the Public Sector Internal Audit Standards

## Audit Scope

The scope of this audit included:

- Inspection and maintenance procedures and schedules.
- Documentation, record keeping and reporting.
- Compliance with Council policies, relevant legislation, regulations, property standards, and best practice.
- Compliance with regulatory requirements.
- Quality, cost and timing of repairs and maintenance.
- Contract Management.
- Stakeholder engagement and feedback processes.
- Complaints Handling.

# Audit Findings

## 1.0 Policy and Procedures

- 1.1 There are clear strategies and policies with supporting procedural documents for Housing, Customer Services and NSI staff to follow on all aspects of housing management. There is a process in place to ensure that these documents are regularly reviewed and continue to meet the requirements of the Scottish Housing Regulator.
- 1.2 Several draft operational, procedural documents were provided for the work of the Building Inspectors and Contract Administrators, but there is still considerable work to be done to ensure that there are operational procedures for all aspects of the work carried out.
- 1.3 Within the NSI Directorate, procedural documents concerning the use of Concerto, the work of Building Inspectors, Contract Administrators and support staff should be completed and implemented to ensure a consistent approach which meets the requirements of the Scottish Housing Regulator and legislative compliance.

### Recommendation 1

## 2.0 Electrical installation Condition Report (EICR) Contract Management

- 2.1 A contract was signed in March 2020 following the acceptance of a tender for electrical systems and fixed appliance testing for a period of three years. This process complied fully with the procedural requirements of the Contract Standing Orders.
- 2.2 This contract should have delivered approximately 200 EICR checks per year in order to ensure that all Council houses were checked over a five-year period. For various reasons (including COVID-19 restrictions) this figure was not achieved and due to a lack of oversight of the contract this was not identified as an issue until the contract period was nearing completion.
- 2.3 Weekly meetings between Housing and NSI staff have been taking place since March 2023.
- 2.4 To strengthen contract management and contractor engagement, a contract management plan should be developed following contract award. This should include regular meetings with contractors, contract managers or administrators and the client to ensure that the terms of the contract are being met and to raise any possible issues as early as possible.

### Recommendation 2

## 3.0 Financial Regulations and Contract Standing Orders

- 3.1 Following on from the failure of the previous contract, urgent action was required to address the resultant safety issues in the Council's housing stock.
- 3.2 Local contractors were approached and engaged to assist in clearing the backlog of checks. The Council's Contract Standing Orders and Financial Regulations were not adhered to, in that there was no tendering process, and no contracts issued for the work which was carried out. A procurement plan and a Non-Competitive Action were drafted but due to an oversight they were not completed.



- 3.3 Once this was identified as part of this audit, a retrospective Non-Competitive Action was completed. A new tender is in development and is expected to be completed shortly.
- 3.4 Either the Regulated Procurement rules or the rules for Non-Competitive Action should be followed for procurement of supplies, services or works. Procedures should be formalised to ensure that contract agreements are in place for any future works.

### **Recommendation 3**

#### **4.0 Data and Reporting**

- 4.1 The Concerto system is used by the Council for property asset management. The Planned Preventative Maintenance (PPM) module can be used to ensure housing facilities remain in good condition and provide a safe environment for tenants.
- 4.2 As part of this audit it was found that the information entered into the Concerto system by the NSI Directorate was not validated, there were issues with the accuracy of installation and renewal dates and reasons for abeyance and exemptions were not recorded. The quality and coherence of information provided from 2 separate modules within Concerto and various other sources has caused difficulties in ascertaining the current position with SHQS compliance.
- 4.3 Procedures should be adopted to ensure that data recorded in the Concerto system is complete, accurate, and up to date i.e., data should include dates of installation or inspections, renewal dates, expiry dates, and copies of certificates where required. Evidence should be recorded of the reasons for properties being shown as in abeyance or exempt from SHQS and procedure and process documents should be implemented to validate the data entered into Concerto. To ensure that there is no confusion in future, a single source of data should be established and maintained.

### **Recommendation 4**

#### **5.0 Repairs Process**

- 5.1 The Council is completing more emergency repairs and completing them more quickly than in the previous year. Figures show that the number of repairs carried out increased from 256 in 2022/23 to 344 in 2023/24, an increase of 34%.
- 5.2 The time to complete non-emergency repairs has increased from 15.11 days to 17.23 days over the same period. This is mainly due to material supply issues and recruitment issues for contractors. Work is ongoing to improve the accuracy of the information recorded on Concerto regarding repairs (see 4.3 above).

#### **6.0 Stakeholder Engagement**

- 6.1 There is an Asset Management Strategy in place, a Tenant's Handbook which tenants receive when they sign up to a tenancy and numerous leaflets available on the Council's website.
- 6.2 There is currently one residents' association, and one tenants' panel registered with the Council and details are available on the Council website to encourage tenants to set up their own group or participate in the Armchair Panel.
- 6.3 A tenant satisfaction survey was recently carried out and the results will be available shortly.

## 7.0 Compliance with SHQS

7.1 When the consultant reported in March 2023, there were significant issues with the number of EICR checks and linked smoke alarm installations. The figures supplied for these checks varied between Concerto and NSI and could not be verified as accurate. The table below shows the figures from the consultant's report of March 2023 compared to the figures at the end of March 2024.

Measure	Number of Properties in Consultants Report in March 2023	Number of Properties at 31 March 2024
Total Number of properties owned by the Council	1002	1005
Properties without a current EICR	669	25
Properties without interlinked smoke alarms or sufficient evidence of compliance to LD2 Standards	161	116
Properties failing to comply with EESSH1	21	35
Out of scope, in abeyance or exempt properties	48	40
Properties complying with SHQS	285	799

## 8.0 Conclusion

- 8.1 As can be seen from the figures in the table above good progress has been made in addressing the issues identified around the EICR checks, and linked smoke alarm installation and our overall opinion reflects this.
- 8.2 However, there are still significant improvements required in order to be able to evidence compliance with all aspects of the Scottish Housing Quality Standard, to ensure that there are adequate work procedures in place, and to ensure that programmes of work are appropriately managed and monitored going forward to prevent any further issues.

## Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
<p>1 Procedural documents concerning the use of Concerto, the work of Building Inspectors, Contract Administrators and support staff should be completed and implemented to ensure a consistent approach which meets the requirements of the Scottish Housing Regulator and legislative compliance.</p>	<p>Medium</p>	<p>We agree. These have been written, reviewed and circulated, awaiting further comment from Housing colleagues before final signoff.</p>	<p>Team Manager Maintenance and Heritage</p>	<p>30 Sep 2024</p>
<p>2 To strengthen contract management and contractor engagement, a contract management plan should be developed following contract award. This should include regular meetings with contractors, contract managers or administrators and the client to ensure that the terms of the contract are being met and to raise any possible issues as early as possible.</p>	<p>Medium</p>	<p>We agree. A contract management plan will be developed as part of the new contract currently out for tender.</p> <p>There have been additionally measures and controls established to address issues of contract management, including a weekly review of proactive and preventative maintenance (PPM) contracts and regular review and control of contractor works.</p> <p>These improvements put in place shall be factored into the Contract Management Plan.</p>	<p>Service Manager Property and Capital Programme</p>	<p>30 Sep 2024</p>

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
<p>3 Either the Regulated Procurement rules or the rules for Non-Competitive Action should be followed for procurement of supplies, services or works. Procedures should be formalised to ensure that contract agreements are in place for any future works.</p>	<p>Medium</p>	<p>We agree. This was an oversight and was not consistent with normal practice. This was rectified as soon as this was brought to the attention of the Managers. A review of this has been included in the regular review of contracts.</p>	<p>Service Manager Property and Capital programme</p>	<p>Complete</p>
<p>4 Procedures should be adopted to ensure that data recorded in the Concerto system is complete, accurate, and up to date i.e. data should include dates of installation or inspections, renewal dates, expiry dates, and copies of certificates where required. Evidence should be recorded of the reasons for properties in abeyance or exempt from SHQS and procedure and process documents should be implemented to validate the data in entered into Concerto. To ensure that there is no confusion in future, a single source of data should be established and maintained.</p>	<p>Medium</p>	<p>We agree. This is in progress. The procedural documents set out the required steps and the work is in progress to deliver these standards.</p>	<p>Team Manager Maintenance and Heritage</p>	<p>31 Dec 2024</p>

## Key to Opinion and Priorities

### Audit Opinion

Opinion	Definition
<b>Substantial</b>	The framework of governance, risk management and control were found to be comprehensive and effective.
<b>Adequate</b>	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
<b>Limited</b>	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
<b>Unsatisfactory</b>	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

### Recommendations

Priority	Definition	Action Required
<b>High</b>	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
<b>Medium</b>	Weakness in governance, risk management and control that if unresolved exposes the organisation to a significant level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
<b>Low</b>	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.