



INTERNAL AUDIT
FINAL REPORT

Title: Housing - Responsive Repairs

Report Distribution

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EXECUTIVE SUMMARY

Introduction

This review of housing responsive repairs was carried out in early 2008. Our previous review of responsive repairs was undertaken in May 2007. Since that review, from April 2007, the Authority commenced a three (or optionally four) year contract for responsive repairs and empty property refurbishment with Ian Williams Limited. The contract type is the Term Partnering Contract 2005, which is designed for partnering, and includes aspects such as performance indicators, and payments based on actual costs. These aspects were focused on in this review, together with a follow-up of the recommendations in the previous report.

The value of this contract is estimated to be about £950,000 per year, which includes most responsive repair work, apart from work on gas appliances and heating systems, which is separately tendered to a specialist contractor.

The Council’s housing stock consists of some 3,400 properties for rent and a further 283 properties, mainly blocks of flats, being homes that have been sold under the ‘Right to Buy’ scheme, but which have common areas or structural elements for which the Council remains responsible.

Our previous audit report on responsive housing repairs, report IAR0607-18, issued in May 2007, provided limited assurance with respect to the adequacy and effectiveness of controls and contained 17 recommendations. At this current review, we found that ten of these recommendations have now been satisfactorily implemented. Renewed recommendations are included in this report in respect of the other seven, four of which had not been implemented and three had been partially implemented.

Principal Findings

	High	Medium	Low
Number of recommendations	0	5	5

The detailed findings and associated recommendations are provided in the second part of this report. The medium risk recommendations relate to:

- There are still some discrepancies between the priority for each type of repair stated in the national regulations and the department’s ISO procedures, internet site and guidance provided to its housing assistants.
- Tenant satisfaction surveys have been neglected since our previous audit.
- The number of post-inspections to verify the costs of repairs to void homes is not 100% as required by the department’s procedures.
- Errors found in the costs during the post-inspection checks are not properly documented as a means of confirming their later correction.
- The format in which performance indicators are reported does not highlight trends in performance and areas of concern to enable them to be quickly identified.

Assurance Statement

Internal Audit can provide **limited assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

We consider that the department's post-inspections to verify the cost of work are generally satisfactory, but that their scope is not sufficient; in particular, the number of void repairs checked is too low, and costs are not checked as part of the post-inspection. An improvement in the performance reports is also required to make them easier to use.

INTRODUCTION

Objective & Scope

The purpose of the audit review was to determine whether the recommendations made in the previous audit report on responsive repairs (report number IAR0607-18) have been implemented, and additionally to review the arrangements for monitoring the contractor's performance and the cost of repairs under the new contract with Ian Williams Limited.

The key risks associated with the system objectives are:

- Unnecessary expenditure and overpayments are incurred.
- The contractor does not provide a satisfactory standard of work and this is not identified and corrected.

With respect to the previous audit report, which was followed up at this review, the key risks were:

- Repairs are not carried out when required.
- Reduced tenant satisfaction.
- Costly priority and emergency work.
- Work is not targeted at homes with the greatest need.
- Delays to the completion of work.
- Increased cost of work.
- Unsatisfactory quality of repairs.
- Reduced housing stock and rental income whilst void properties await repair.
- Work not targeted at the homes with the greatest need.
- A lack of planning causing inefficient over-reliance on responsive work.

The control areas included within the scope of the review are:

- Payments for repairs.
- Performance information.
- Access to the repairs service.
- Prioritisation of repairs.
- Accuracy of repair work carried out.
- Input from the responsive repairs programme into the planned improvements programme.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and to mitigate the risks that affect the authority's objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 - Weekend and Evening Appointments for Tenants Level of Risk - Low</p>			
<p>In our previous report we recommended that consideration was given to introducing weekend and evening appointments for tenants, in line with Audit Commission guidance. This has not yet been introduced.</p>	<p>Repairs might not be arranged at a convenient time for the tenant, particularly if occupants are not usually at home during normal working hours.</p>	<p>Consideration should be given to introducing weekend and evening appointments for tenants – in line with the Audit Commission guidance.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: Currently our staffing resources are limited to ensure further development of this area. Tenants however are offered 2 hour slot daytime appointments and this has been implemented within the last 9 months – there has been no request for evening or weekend appointments at this time.</p> <p>Planned Corrective Action: To be developed further by the RSL.</p> <p>Timescale: Post transfer.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 - Property Pre-inspections (to determine the repairs required before the contractor starts work) Level of Risk - Low</p>			
<p>In our previous report we recommended that the reason why pre-inspections are carried out for over 30% of repairs should be investigated to determine whether it would be possible to reduce the number carried out. The proportion recommended by the Audit Commission is 10%. One aim of the new partnership contract was to give Ian Williams Limited more flexibility over what work is carried out, as an aid to reducing the amount of pre-inspections carried out.</p> <p>During this audit we found that the number of pre-inspections has fallen significantly to just under 20% (in the 9 months from April to December 2007). The department does not yet consider it appropriate to reduce this to the 10% recommended by the Audit Commission.</p>	<p>A large number of pre-inspections is carried out. These are labour intensive and costly.</p>	<p>The department should explore ways of reducing the number of pre-inspections as a percentage of all repairs to the 10% level recommended by the Audit Commission.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: The percentage of pre inspections are varied depending on quality management issues at any given point in time. We have maintained an approximate 20% sample to date as a management tool to monitor quality issues that have required close management with the contractors.</p> <p>Planned Corrective Action: Once quality performance has been maintained for a satisfactory period, the number will be reduced but we retain the option to increase as and when required.</p> <p>Timescale: Ongoing review.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 3 - Repair Priorities Level of Risk - Medium</p>			
<p>In our previous report we recommended that the prioritisation criteria for each type of repair should be checked and clarified against the Secure Tenants of Local Housing Authorities (Right to Repair) Regulations 1994. The department's ISO procedure, 'Requests and Orders for Repairs', has not been revised since the previous audit and so wrongly classifies the following to be attended to within 3 days instead of 1 day:</p> <ul style="list-style-type: none"> • Blocked or leaking foul drain, soil stack, or (where there is no other working toilet in the house) toilet pan. • Toilet not flushing (where there is no other working toilet in the house). <p>The ISO procedures should clarify that the following repairs will be attended to within seven days (it is currently not clear if they will be attended to within 7 or 14 days):</p> <ul style="list-style-type: none"> • Mechanical extractor fan in internal kitchen or bathroom not working. This is not mentioned at all in the table of repair timescales on the department's website • Door entryphone not working. 	<p>Repairs may not be given the priority that tenants are legally entitled to.</p>	<p>The ISO procedures, internet site and guidance to housing assistants should be revised in respect of the items noted in this report.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: Our "A" priority orders require tasks to be attended to within 24hrs, which is in line with right to repair legislation, however they have upto 3 days to complete in case of material or length of task.</p> <p>Planned Corrective Action: Procedures to be reviewed and updated accordingly.</p> <p>Timescale: Post transfer.</p>

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<p>The ISO procedures should also classify a tap which cannot be turned on (as well as a tap which cannot be turned off) as an urgent repair.</p> <p>Additionally, since the previous audit, further guidance has been provided to the housing assistants for emergency and urgent categories of repair (categories E and A). We found that this guidance reflected the Regulations although there is the potential for the seasons to be interpreted imprecisely when setting the priorities for repairing a loss of heating. The regulations specify November to April, while the Gedling BC guidance states 'Winter'. Similarly, the regulations specify May to October, while the Gedling BC guidance states 'Summer'.</p>			
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 4 - Tenant Satisfaction Surveys Level of Risk - Medium</p>			
<p>In our previous report we recommended that the monitoring of responses to satisfaction surveys should be improved by making the written and phone surveys consistent with each other, calculating response rates and analysing the responses. We found that satisfaction surveys have been neglected since the previous audit, due to a lack of resources.</p>	<p>The department may remain unaware of, and unresponsive to, problems that tenants are experiencing.</p>	<p>Tenant satisfaction surveys should be reintroduced. The department should also find out about the methodology and results of the tenant satisfaction surveys carried out by Ian Williams Limited.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: Additional resource has been taken on to resolve this matter – data being collected through cold calling since June 08 and currently being transferred onto excel to facilitate reporting analysis. Negative responses followed through by line manager to identify learning outcomes.</p> <p>Planned Corrective Action: As above.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 5 - Post-inspections (to check the work done by the contractor) Level of Risk - Low</p>			
<p>In our previous report we recommended that a formal target should be set for the percentage of jobs subjected to post-completion inspections; and guidance for selecting a representative sample of jobs to be checked should be provided.</p> <p>New ISO procedures have been introduced setting a target for the number of jobs subject to post inspections. For responsive repairs the sample size will be a random 10%, with additional targeted post inspections if there is reasonable concern or complaint about the quality of work. For repairs to void properties the procedure says that the sample size will be 100%.</p> <p>We observed the post inspections and considered them to be generally satisfactory, subject to recommendations made later in this report.</p>	<p>The contractor is paid for work not done, or not done to a satisfactory standard.</p>	<p>We consider that a 10% sample of post inspections appears to provide sufficient assurance over the cost and amount of work done. However it should be noted that 15% sample sizes, which are mentioned in a 2007 report and are sometimes requested by the Property Maintenance Manager, do not appear to be carried out.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: Shortage of resources resulted in reduced number of post inspections undertaken and misunderstanding on what is undertaken and when.</p> <p>Planned Corrective Action: Procedures have been clarified and revised resources to be sourced to assist in completing Post Inspection activity as designed.</p> <p>Timescale: Week Commencing 01/09/08</p>

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<p>A report by the Head of Housing (dated 12 March 2007) suggested that the sample size for post-inspections should initially be 15%, reducing to 10% later when deemed appropriate. We also understand that the Repairs & Maintenance Manager reviews each application for payment and decides whether a sample size of 10% or 15% should be taken. However, we found no evidence that this was referred to by the Technical Officer, who always took 10% samples.</p>			
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Observation	Risks	Recommendation	Management's Response
<p>Recommendation 6 - Post-inspection Checks (on higher value responsive repairs) Level of Risk - Low</p>			
<p>The department carries out post-inspection checks on a 10% sample of responsive repairs. This proportion is included in the department's ISO 9001 procedures. Our discussions with the Technical Officer carrying out these repairs indicated that this 10% sample size was applied only to responsive repairs costed at the £65 standard cost, and that she sampled 100% of repairs costed above this. This practice is not reflected in the ISO 9001 procedures.</p>	<p>The process for post-inspections may be inefficient if too many checks are carried out.</p>	<p>The ISO procedures for post-inspection checks should include the approach to the sampling of responsive repairs costed above the £65 standard cost, if it is considered that the approach to these should be different from the 10% sampling of standard responsive repairs.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: The number of higher value inspections is relatively low and is managed carefully along with budget monitoring. Primary areas of higher value are planned and cyclical work rather than reactive and tend to be managed in a more directive way to ensure quality and value for money compliance.</p> <p>Planned Corrective Action: Procedure notes will updated accordingly.</p> <p>Timescale: Post transfer review.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 7 - Post-inspections (void properties) Level of Risk - Medium</p>			
<p>The department's ISO 9001 procedures state that 100% of repairs to void homes will be subject to post-inspection reviews. However, we were informed that sample sizes actually taken were only about 10%.</p> <p>During our audit we did not find evidence that any of these 10% samples were being carried out.</p> <p>The department informed us that this was because of insufficient staffing resources, but that the risk was mitigated because the contractor carried out its own post-inspection of every void repair, and the department visits new tenants after a few weeks, at which any problems with the repair work could be identified.</p>	<p>Failure to detect unsatisfactory work on repairs to void homes.</p>	<p>The department should ensure that it carries out post inspections on a sufficient number of repairs to void homes.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: The voids process has been subject to extensive review in the last 12 months to facilitate best value and reduce time lost – new processes ensure that joint team approach taken to manage quality and performance on voids cycle.</p> <p>Planned Corrective Action: Additional resources are planned to be used where appropriate to undertake additional post inspections by Technical Officers for quality and value for money bench marking.</p> <p>Timescale: Post Transfer.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 8 - Post-inspections (checking the rates charged) Level of Risk - Value for Money</p>			
<p>The post-inspections include checking the work physically done and documentation to support the amounts charged. However, the amounts charged are not checked.</p> <p>The department informed us that instead of this, management carry out checks of the amounts charged on a sample of jobs invoiced. We consider that it would be more efficient to carry out such checks during the post inspections.</p> <p>The risk of errors in the amount charged is also mitigated by the department's ongoing monitoring of the average cost of jobs.</p>	<p>Payment of the wrong amounts for work done.</p>	<p>The post-inspections should include checking the amounts charged.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: Limited staffing resources have necessitated variation in auditing arrangements therefore smart targeting of fiscal checks been undertaken by management as part of overall review of value for money.</p> <p>Planned Corrective Action: Increased resources will facilitate reinstatement of documented controls.</p> <p>Timescale: Post transfer.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 9 - Post-inspections (correction of errors found) Level of Risk - Medium</p>			
<p>When errors in the costs are found during the post-inspection checks, there are procedures to ensure that these are corrected. However the documentation of this could be improved to provide assurance that every error found has been corrected.</p>	<p>Failure to correct payment of the wrong amounts for work done.</p>	<p>There should be more control that errors found in the cost claims are corrected. This could be in the form of a schedule of errors found, on which it is noted when the errors are communicated to the contractor and when they are adjusted for in a subsequent invoice.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: Revised controls are now in place whereby housing assistants audit check deviations as part of the authorisation and credit reviews.</p> <p>Planned Corrective Action: As above.</p> <p>Timescale: Immediate.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 10 - Periodic Adjustments From Target to Actual Cost Level of Risk - Low</p>			
<p>For routine responsive repairs, a target cost has been set, currently £65, and the contractor is initially paid this amount for each repair. A periodic comparison should be made between average actual cost and target cost (£65) and an adjustment should be processed so that the difference is shared between the two parties according to proportions set out in the contract.</p> <p>A March 2007 report by the Head of Housing Services said that this adjustment would be made quarterly. However, this was not implemented and the department now plans to make the adjustment annually, with the first adjustment due after the end of the first financial year.</p> <p>Although adjustments are only made annually, the department does monitor the average cost of jobs on a monthly basis.</p>	<p>A delay in the Authority sharing with the contractor the difference between actual and target costs.</p> <p>This difference could either be a saving or an extra cost, so it is unknown whether or not a delay is to the Authority's financial benefit.</p> <p>A more frequent interval would enable better monitoring of the contract and identification of efficiencies, but has to be balanced against the extra work involved.</p>	<p>The department should consider whether quarterly comparisons and adjustments between average actual cost and average target cost should be introduced for the second year of the contract.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: Seasonal variations in work type has necessitated review to annual target adjustment to prevent unnecessary work load.</p> <p>Planned Corrective Action: Not appropriate to implement suggestions on a quarterly basis as not cost effective and risk managed accordingly.</p> <p>Timescale: N/a</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 11 - Contractor's Performance Indicators Level of Risk - Medium</p>			
<p>The contract states that performance indicators will be agreed and that performance reports shall be submitted within 5 working days of the end of each month.</p> <p>The contractor's performance is reviewed each month at a meeting between the department and representatives of the contractor, and monthly performance information is reported to senior management. The performance information does not, however, include a summary to quickly highlight areas of concern.</p> <p>One of the performance indicators measures tenant satisfaction, but it contained no data. The lack of tenant satisfaction surveys is addressed in recommendation 4 of this report.</p> <p>A set of performance indicators was proposed in a March 2007 document by the Head of Housing. Performance indicators actually in use satisfactorily cover all of these except that they do not measure the number of jobs that were repaired 'right first time' and those where a return visit was required.</p>	<p>The contractor may not provide a satisfactory standard of work and this might not be realised by management.</p>	<p>The performance information should include a monthly summary report to communicate trends in performance and areas of concern.</p> <p>The department should introduce a performance indicator measuring the number of jobs that were repaired 'right first time' and those where a return visit was required.</p> <p>Action: Diane Grattage, Property Maintenance Manager</p>	<p>Management Comment: Monthly reports do indicate cumulative trends along with narrative comments that identify action plans to remedy. Right first time data is already collected although not reported as it is currently considered to be a subjective calculation that can be misinterpreted.</p> <p>Planned Corrective Action: The array of performance indicators relating to the contractor will be subject to ongoing review.</p> <p>Timescale: Ongoing review.</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect to the risks emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Finance, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Sub-Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Sub-Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Resource Services Manager on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk