

ABERDEEN CITY COUNCIL

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| COMMITTEE | Audit, Risk and Scrutiny Committee |
| DATE | 27 June 2024 |
| EXEMPT | No |
| CONFIDENTIAL | No |
| REPORT TITLE | Internal Audit Report AC2421 – Private Sector Housing |
| REPORT NUMBER | IA/AC2421 |
| DIRECTOR | N/A |
| REPORT AUTHOR | Jamie Dale |
| TERMS OF REFERENCE | 2.2 |

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on the Private Sector Housing.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of the Private Sector Housing.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council’s framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

| Assessment | Outcome |
|----------------------------------|---|
| Impact Assessment | An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. |
| Privacy Impact Assessment | Not required |

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2421 – Private Sector Housing

12. REPORT AUTHOR CONTACT DETAILS

| | |
|----------------------|--|
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Internal Audit

Assurance Review of Private Sector Housing

Status: Final

Date: 29 May 2024

Risk Level: Cluster

Report No: AC2421

Assurance Year: 2023/24

| Net Risk Rating | Description | Assurance Assessment |
|-----------------|---|----------------------|
| Minor | 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. | Substantial |

| Report Tracking | Planned Date | Actual Date |
|------------------------|--------------|-------------|
| Scope issued | 19-Jan-24 | 19-Jan-24 |
| Scope agreed | 26-Jan-24 | 26-Jan-24 |
| Fieldwork commenced | 29-Feb-24 | 29-Feb-24 |
| Fieldwork completed | 29-Mar-24 | 29-Apr-24 |
| Draft report issued | 19-Apr-24 | 10-May-24 |
| Process owner response | 10-May-24 | 27-May-24 |
| Director response | 17-May-24 | 29-May-24 |
| Final report issued | 24-May-24 | 29-May-24 |
| AR&S Committee | 27-Jun-24 | |

| Distribution | |
|----------------------|---|
| Document type | Assurance Report |
| Director | Eleanor Sheppard, Executive Director – Families and Communities |
| Process Owner | Jacqui McKenzie, Chief Officer – Housing |
| Stakeholders | Rachel Harrison - Locality Inclusion Manager |
| | Jocelyn Janssen - Private Sector Manager |
| | Lindsay MacInnes, Interim Chief Officer – People & Organisation Development and Customer Experience |
| | Lesley Strachan, People & Organisational OD Manager - Talent |
| | Julie Esson, Operational Lead – HR Service Centre |
| | Helen Sherrit - Finance Partner |
| | Clare Davidson, Assistant Accountant |
| | Stephen Booth, Chief Officer – Corporate Landlord |
| | Mark Shaw, Senior Energy Officer |
| | Jonathan Belford, Chief Officer – Finance* |
| *Final Only | Vikki Cuthbert, Chief Officer – Governance* |
| | External Audit* |
| Lead auditor | Farai Magodo, Auditor |

1 Introduction

1.1 Area subject to review

The Council has several statutory duties relating to private sector housing that have financial implications. These include maintaining a register of landlords operating in the local authority area; administering licenses for houses in multiple occupation (HMOs) and short term lets; complying with the property factors code of conduct for 38 multi-story buildings; and administering a Scheme of Assistance, including grants for adaptations for people with disabilities and for remedial work to private water supplies.

The Council's Private Sector Housing unit (19 FTE) undertakes these duties, administering the various fees and charges and offering support and advice to private sector tenants, landlords and homeowners.

The 2023/24 outturn for private sector housing was net expenditure of £90k (gross expenditure £2.041m, gross income £1.951m) compared to a budget of £124k (gross expenditure £1.907m, gross income £1.783m), with the within budget position related to over-recovery of income.

1.2 Rationale for review

The objective of this audit is to ensure adequate control is exercised over private sector housing income and expenditure.

This audit has not been carried out before and has been included in the agreed Internal Audit plan for 2023/24 since income and expenditure is material in value and there is a risk of reputational damage should the Council inadequately administer financial matters whilst undertaking statutory duties relating to this area.

Factoring income and expenditure will be out of scope for this internal audit since a Service led review of factoring was under way in February 2024; assurance over the outcome of this review will be sought.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 2 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

| Net Risk Rating | Description | Assurance Assessment |
|-----------------|---|----------------------|
| Minor | 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. | Substantial |

The organisational risk level at which this risk assessment applies is:

| Risk Level | Definition |
|------------|--|
| Cluster | This issue/ risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer. |

2.2 Assurance assessment

The level of net risk is assessed as **MINOR**, with the control framework deemed to provide **SUBSTANTIAL** assurance over the Council's private sector housing¹.

Substantial assurance was available over the following areas reviewed:

- **Staff Costs** – A sample of five staff charged to the private sector housing budgets in 2023/24 were reviewed and Council employment contracts were in place in all cases for posts relevant to private sector housing. In addition, three (33%) of the nine overtime payments made to Private Sector Housing staff were reviewed and these agreed to related timesheets which had been appropriately approved and hours were paid at the correct rate.
- **Following the Public Pound** – The Private Sector Housing team awarded a small grant of £6k to a tenement housing charity; this complied with the Council's Following the Public Pound Policy.
- **Disabled Adaptation Grants** – In accordance with s71 of the Housing (Scotland) 2006, the Council has a Scheme of Assistance for the adaptation of disabled persons homes to make them suitable for the accommodation, welfare, or employment of the applicant. 144 such grant payments were made in financial year 2023/24 totalling £752k. A sample of five of these totalling £50k was reviewed and all were supported by an assessed need from an Occupational Therapist (OT) countersigned by a senior OT, applications by the applicant signed to agree to the Scheme's terms and conditions; architectural specifications; and a minimum of two estimates from prospective contractors undertaking the work on the homeowner's behalf to help ensure Best Value. A grant covering 100% of costs reviewed was paid to an eligible applicant in receipt of relevant benefits (80% of costs paid otherwise as expected). In addition, payments were only made following inspection of completed works by a Private Sector Housing Officer, to ensure the work was satisfactory.
- **Budget Setting and Reporting** – Relevant officers receive monthly BOXI Private Sector Housing budget monitoring reports. These are clearly laid out and broken down by relevant areas (e.g. HMO, Short Term Lets, Factoring, Private Registered Landlords, Housing Improvement Grants) and by the subjective nature of transactions (e.g. staff costs, premises costs etc). Overspends and underspends were clearly identified where applicable and the outturn to budget position is discussed with Finance, with the 2023/24 outturn coming in within budget. In addition, the Council's 2024/25 budget approved by Council in March 2024

¹ Substantive testing for factoring was out with the scope of this review, as factoring is a relatively new Council operation and is under review; a property factoring action plan has been established covering relevant improvements for progression in 2024/25.

considered HMO fee setting with a view to covering related Private Sector Housing team administration costs.

However, the review identified some areas of weakness where enhancements could be made to strengthen the framework of control, specifically:

- **Mandatory Staff Training** – Mandatory training covers a range of topics primarily concerned with ensuring staff adhere to statutory requirements and Council policy. However, seven (36%) of 19 staff charged to the private sector housing budgets in 2023/24 had not completed all mandatory training as required at the time of review. This included two (11%) Prevent; five (26%) Information Governance; three (16%) Fire Safety; and three (16%) Essential Child Protection, risking failure to comply with related statutory requirements and Council policies. A recommendation has already been made to improve mandatory training completion generally in Internal Audit AC2406 Data Protection.
- **Procurement** – Excluding factoring for reasons described above, only two procurements exceeded £10k and all were included on the Council's Contracts Register as required by the Council's procurement regulations. One of these was a regulated procurement totalling £750k; this had been procured in accordance with Council's Scheme of Governance for the most part. However, it was noted a contract award notice was not posted on the Public Contract Scotland website by Corporate Landlord as required by procurement legislation.
- **Travel Costs** – One (20%) of a sample of five mileage claims was overpaid by £100 to a member of the Private Sector Housing for car mileage due to it being incorrectly punched for payment by People and Citizen Services. Whilst it is an employee's responsibility to check their payslip for anomalies budget monitoring should identify such overpayments. Risks related to Essential Car User allowance payments outwith Housing's control are highlighted separately in Appendix 1 for People and Citizen Services.
- **Income** – Fee income had been received for 15 applications reviewed covering HMO licenses, short term let licenses and private sector landlord registration and procedures are in place to respond to complaints of unlicensed / unregistered operators. However, whilst payment is required in advance of applications being considered, a system of reconciliation between the license systems / related registers and the cash receipting system is not in place risking fee income not being received as expected.

Recommendations have been made to update the Scheme of Assistance for disabled adaptation grants where necessary; formalise staff procedures cover administration of this area; update the Public Contracts Scotland website; monitor travel costs; and establish a system of reconciliation for private sector housing fee income.

2.3 Severe or major issues / risks

No severe or major issues/risk were identified as part of this review.

2.4 Management response

We welcome the report, and the overall outcome of this review. Reflecting a substantial level of assurance regarding the activity carried out across the Private Sector Housing remit. A response to each of the individual recommendations has been provided below, with a recognition these recommendations and associated actions are shared across Housing, Corporate Landlord and People & Citizen Services.

3 Issues / Risks, Recommendations, and Management Response

3.1 Issues / Risks, recommendations, and management response

| Ref | Description | Risk Rating | Minor |
|-----|--|-------------|-------|
| 1.1 | <p>Written Policies and Procedures – Comprehensive written policies and procedures, and their effective communication are an essential element in any system of control. They are beneficial for the training of current and new employees and provide management with assurance correct and consistent instructions are available, especially in the event of an experienced employee being absent or leaving.</p> <p>Written policies, procedures and guidance are in place for staff and the general public covering relevant private housing matters.</p> <p><u>Private Landlords, HMOs, and Short Term Lets</u></p> <p>The Council's website is clearly laid out, covering Houses in Multiple Occupation (HMO), and Short Term Let (STL) license application and landlord registration requirements, as well as the legislation, relevant statutory guidance, fees and links to the related online application processes and registers.</p> <p><u>Scheme of Assistance – Disabled Adaptation Grants</u></p> <p>However, whilst there is a detailed Scheme of Assistance for disabled adaptation grants covering what is eligible for grant assistance generally, it is not clear what is not eligible, risking applicant confusion and potential reputational damage for the Council.</p> <p>This was evident on reviewing one (20%) of a sample of five grant applications for funding towards an elevator, where a smoke alarm deemed necessary by Building Control was disqualified from grant funding on the basis that home smoke alarms are now a legal requirement generally, which was not expected by the architect acting for the applicant.</p> <p>In addition, grant application processing written guidance covering assessment of applications, and determination of what is and is not eligible, is not in place. Since these applications are processed by a single knowledgeable member of the Private Sector Unit this presents training and business continuity risks.</p> <p>IA Recommended Mitigating Actions</p> <p>a) The Service should review and where necessary/reasonable, update the Scheme of Assistance to cover what is not eligible for grant assistance. Where relevant consideration should be given to any instances where former applicants or their representatives expressed surprise / dissatisfaction by a decision to disqualify costs from grant funding.</p> <p>b) The Service should formalise staff procedures for processing private sector housing grant applications.</p> <p>Management Actions to Address Issues/Risks</p> <p>a) <i>The Council's Scheme of Assistance Policy is currently under review by ACC and other relevant stakeholders including Bon Accord Care and the Health & Social Care Partnership. The review is currently ongoing. The above points will be taken into consideration throughout the review.</i></p> <p>b) <i>Scheme of Assistance procedures are in place for processing Grant applications, however require updating. Procedure updates will be actioned upon completion of the Policy review in case of any internal process changes.</i></p> | | |

| Ref | Description | | Risk Rating | Minor |
|-----|--------------------|--|-----------------|-------|
| | Risk Agreed | Person(s) | Due Date | |
| | a) Yes | Senior Housing Strategy Officer, Housing | a) April 2025 | |
| | b) Yes | Private Sector Housing Manager, Housing | b) April 2025 | |

| Ref | Description | | Risk Rating | Minor |
|-----|--|---|-----------------|-------|
| 1.2 | <p>Procurement – To ensure Best Value it is essential goods and services are procured in accordance with the Council's procurement regulations and procurement legislation.</p> <p>Excluding factoring for reasons described above only two procurements exceeded £10k and all were included on the Council's Contracts Register as required by the Council's procurement regulations. One of these was a regulated procurement undertaken by Corporate Landlord relating to energy efficiency advice services (<i>Scarf</i>) totalling £750k and had been procured in accordance with Council's Scheme of Governance for the most part.</p> <p>However, the Procurement Reform (Scotland) Act 2014 requires a contracting authority to publicise the award of a contract under a regulated procurement on the Public Contracts Scotland website and this did not take place for the regulated contract reviewed, which is a breach of procurement legislation.</p> | | | |
| | IA Recommended Mitigating Actions | | | |
| | Corporate Landlord should publish the award notice on the Public Contracts Scotland website for the energy efficiency services regulated contract. | | | |
| | Management Actions to Address Issues/Risks | | | |
| | <i>Agreed.</i> | | | |
| | Risk Agreed | Person(s) | Due Date | |
| | Yes | Senior Energy Officer, Corporate Landlord | June 2024 | |

| Ref | Description | | Risk Rating | Minor |
|-----|--|--|-------------|-------|
| 1.3 | <p>Travel Costs – The Council's Staff Travel Policy permits car business mileage claims via a travel and subsistence form where private car is the most effective method of ground transport.</p> <p>A sample of five car mileage claims made by the Private Sector Housing team were adequately supported by an appropriately approved travel and subsistence claim. However, due to manual input error by People and Citizen's Services when processing one (20%) of these claims, 249 miles was paid at 45p per mile to an employee instead of 24.8 miles resulting in an overpayment of £100.89.</p> <p>Council payslips state:</p> | | | |

| Ref | Description | Risk Rating | Minor |
|--|--|--|-----------------|
| | <p><i>"You are expected to check your payslip to ensure the payment is correct. Unusual amounts should be reported without delay to the payroll section for clarification. We may use / share your data to prevent / detect fraud."</i></p> <p>Whilst this places an onus on employees to report overpayments budget monitoring should also be used to identify such overpayments.</p> <p>People and Citizen Services has advised action will be taken to recover the overpayment; a recommendation is included for tracking purposes.</p> | | |
| IA Recommended Mitigating Actions | | | |
| <p>a) The mileage claim overpayment identified should be recovered by People and Citizen Services.</p> <p>b) The Private Sector Housing team should monitor travel costs to ensure these are in line with approved claims.</p> | | | |
| Management Actions to Address Issues/Risks | | | |
| <p>a) <i>In respect of the specific case identified during the audit sample, this error has been rectified. In terms of future assurance, work is underway to explore options to automate our claims process, which would reduce the requirement for manual input and potential human error. This will be done in conjunction with our colleagues in Digital & Technology.</i></p> <p>b) <i>The budget holder will continue to monitor the budget to identify any significant discrepancies.</i></p> | | | |
| Risk Agreed | | Person(s) | Due Date |
| a) Yes | | a) People & Organisational OD Manager - Talent | a) Implemented |
| b) Yes | | b) Private Sector Housing Team | b) Implemented |

| Ref | Description | Risk Rating | Minor |
|--|---|-------------|-------|
| 1.4 | <p>Fee Income Reconciliations – An adequate system of reconciliation is necessary to ensure fee income is received where services are delivered.</p> <p>A sample of five private landlords, five HMO license holders and five short term let license holders was selected from the respective registers and related license and landlord registration fees had been received as required in all cases. Furthermore, procedures are in place covering unlicensed / unregistered operators identified following a complaint; this helps ensure enforcement action is taken where necessary and if appropriate to do so, relevant applications are progressed, and fees recovered.</p> <p>However, whilst the Service advised payment is required in advance of applications being considered, a system of reconciliation between the license systems / related registers and the cash receipting system is not in place risking fee income not being received as expected.</p> | | |
| IA Recommended Mitigating Actions | | | |
| <p>The Service should liaise with Finance and Digital and Technology to ensure an adequate system of reconciliation over fee income to application records is established.</p> | | | |
| Management Actions to Address Issues/Risks | | | |

| Ref | Description | Risk Rating | Minor |
|-----|--|--|---|
| | <p><i>The systems that are in place to allow applications for landlord registration, HMOs and Short term lets are designed to prevent an application progressing without payment. We will engage with colleagues in finance and digital and technology to identify if there is any additional assurance that can be built into the system.</i></p> | | |
| | <p>Risk Agreed Yes</p> | <p>Person(s) Private Sector Housing Manager</p> | <p>Due Date September 2024</p> |

4 Appendix 1 – Essential Car Users

| Ref | Description | Risk Rating | Moderate | | | | | | | | | | |
|--|--|--------------------------------|----------------------|-------------------|------|----------------------|------|---------------------|------|------------------|------|--|--|
| 2.1 | <p>Essential Car Users – The Council operates an Essential Car User (ECU) scheme whereby annual ECU allowances are paid to members of staff in posts with ECU status. The list of ECU posts should be held by the Chief Officer – People and Citizen Services, with ECU status requiring a post to meet one of the following criteria:</p> <ul style="list-style-type: none"> • Emergency response. • Carriage of equipment to undertake the role. • Mobile and remote working inherent virtually all day every day. <p>The lump sum ECU allowance (see below) are assessed on the mileage of the employee over the preceding 12-month period (April – March) with all lump sum allowances reviewed in April each year. New starters with an ECU will have mileage estimated based on usage of the previous post-holder or if a new post will start on the lowest annual allowance.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #003366; color: white;">Actual Annual Business Mileage</th> <th style="background-color: #003366; color: white;">Annual ECU Allowance</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Under 1,200 miles</td> <td style="text-align: center;">£120</td> </tr> <tr> <td style="text-align: center;">1,200 to 5,000 miles</td> <td style="text-align: center;">£250</td> </tr> <tr> <td style="text-align: center;">5,001 – 7,500 miles</td> <td style="text-align: center;">£500</td> </tr> <tr> <td style="text-align: center;">Over 7,501 miles</td> <td style="text-align: center;">£800</td> </tr> </tbody> </table> <p>ECU payments were made to Private Sector Housing Officers; a Senior Private Sector Housing Officer and Team Leader however it was not possible to determine if this was appropriate since ECU eligibility is not recorded against posts in the payroll system and People and Citizen Services do not maintain an approved list of ECU posts.</p> <p>In addition, whilst the majority of ECU payments were made correctly in 2023/24 based on 2022/23, assuming the posts were eligible for ECU payments, one officer in receipt of £250 when they were actually only entitled to £120 based on mileage travelled in 2022/23 (920 miles), meaning an overpayment of £130 was made. Also, on reviewing ECU payments across the Council in 2023/24 22 employees were overpaid ECU allowances by £130 each and 18 staff were underpaid (3 allowances underpaid by £250, 15 underpaid by £130).</p> <p>People and Citizen Services have advised that the annual review of prior year mileage claims, which forms the basis of ECU rates applied in the payroll system, was on pause following the pandemic due to abnormally low mileage and that rate reviews have been resumed since April 2024 to ensure accuracy.</p> <p>However, it was also noted 80 employees were paid ECU allowance payments totalling £10k in 2023/24 when no mileage was undertaken at all in 2022/23 or 2023/24 meaning employees in the related posts do not meet the ECU definition.</p> <p>Whilst amounts involved are not material to the Council in the short term, inaccurate and inequitable payments risks reputational damage and potentially an equal pay dispute were they to persist in the long term.</p> | Actual Annual Business Mileage | Annual ECU Allowance | Under 1,200 miles | £120 | 1,200 to 5,000 miles | £250 | 5,001 – 7,500 miles | £500 | Over 7,501 miles | £800 | | |
| Actual Annual Business Mileage | Annual ECU Allowance | | | | | | | | | | | | |
| Under 1,200 miles | £120 | | | | | | | | | | | | |
| 1,200 to 5,000 miles | £250 | | | | | | | | | | | | |
| 5,001 – 7,500 miles | £500 | | | | | | | | | | | | |
| Over 7,501 miles | £800 | | | | | | | | | | | | |
| IA Recommended Mitigating Actions | | | | | | | | | | | | | |
| <p>a) People and Citizen Services should review the Essential Car User scheme and formalise posts eligible for an ECU payment with relevant Chief Officers.</p> <p>b) People and Citizen Services should automate ECU payments within the payroll system and establish a system of reconciliation to ensure payment accuracy.</p> <p>c) People and Citizen Services should review payments to employees who received ECU payments where no mileage has been undertaken, determine if payments should be recovered and take action to do so if appropriate.</p> | | | | | | | | | | | | | |

| Ref | Description | Risk Rating | Moderate |
|-----|---|--|-----------------|
| | Management Actions to Address Issues/Risks | | |
| | <p><i>a) People and Citizen Services will undertake a full review of the Essential Car User (ECU) scheme including eligibility criteria. This will include developing and agreeing a list of roles eligible for ECU on a Cluster basis, with the relevant Chief Officer, and this will be captured against the role within the HR / Payroll system (coreHR). The list of roles will then be reviewed and updated on a regular basis.</i></p> <p><i>b) There is currently no mechanism to automate mileage claims, which are manually entered, as per the travel and subsistence claim form completed by the employee and approved by line manager. In terms of future assurance, work is underway to explore options to automate the claims process, which will reduce manual input and human error. This will be done in conjunction with our colleagues in Digital & Technology.</i></p> <p><i>c) The ECU scheme review will also consider employees who made no mileage claims in the previous financial year as part of the annual rate review and will set out clear guidance on how this situation will be managed and any payments recovered (if appropriate).</i></p> | | |
| | Risk Agreed | Person(s) | Due Date |
| | Yes | People & Organisational OD Manager - Talent | December 2024 |

5 Appendix 2 – Assurance Terms and Rating Scales

5.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

| Risk level | Definition |
|------------------------------|---|
| Corporate | This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level. |
| Function | This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of Policy within a given function. |
| Cluster | This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer. |
| Programme and Project | This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned. |

| Net Risk Rating | Description | Assurance Assessment |
|-----------------|--|----------------------|
| Minor | 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. | Substantial |
| Moderate | 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. | Reasonable |
| Major | 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. | Limited |
| Severe | 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. | Minimal |

| Individual Issue / Risk Rating | Definitions |
|--------------------------------|---|
| Minor | Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period. |
| Moderate | An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period. |
| Major | The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months. |
| Severe | This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately. |

6 Appendix 3 – Assurance Scope and Terms of Reference

6.1 Area subject to review

The Council has several statutory duties relating to private sector housing that have financial implications. These include maintaining a register of landlords operating in the local authority area; administering licenses for houses in multiple occupation (HMOs) and short term lets; complying with the property factors code of conduct for 38 multi-story buildings; and administering a Scheme of Assistance, including grants for adaptations for people with disabilities and for remedial work to private water supplies.

The Council's Private Sector Housing unit (13 FTE) undertakes these duties, administering the various fees and charges and offering support and advice to private sector tenants, landlords and homeowners.

The 2023/24 outturn for private sector housing was net expenditure of £90k (gross expenditure £2.041m, gross income £1.951m) compared to a budget of £124k (gross expenditure £1.907m, gross income £1.783m), with the within budget position related to over-recovery of income.

6.2 Rationale for review

The objective of this audit is to ensure adequate control is exercised over private sector housing income and expenditure.

This audit has not been carried out before and has been included in the agreed Internal Audit plan for 2023/24 since income and expenditure is material in value and there is a risk of reputational damage should the Council inadequately administer financial matters whilst undertaking statutory duties relating to this area.

6.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Cluster** level.
- Individual **net risk** ratings for findings.

6.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Written Policies, Procedures and Training
- Staff Costs
- Procurement
- Factoring Repairs and Maintenance
- Housing Improvement Grants
- Short Term Let Supplies and Services
- Income – HMOs, Short Term Lets, Factoring, and Private Sector Registration
- Budget Monitoring and Reporting

6.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

Due to hybrid working across the Council, this review will be undertaken primarily remotely.

6.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit, Risk and Scrutiny Committee (final only)
 - External Audit (final only)

6.6 IA staff

The IA staff assigned to this review are:

- Farai Magodo, **(audit lead)**
- Andy Johnston, Audit Team Manager
- Jamie Dale, Chief Internal Auditor **(oversight only)**

6.7 Council key contacts

The key contacts for this review across the Council are:

- Andy MacDonald, Director – Corporate Services
- Jacqui McKenzie, Chief Officer – Housing **(process owner)**
- Rachel Harrison, Locality Inclusion Manager
- Jocelyn Janssen, Private Sector Manager
- Helen Sherrit, Finance Partner
- Clare Davidson, Assistant Accountant

6.8 Delivery plan and milestones

The key delivery plan and milestones are:

| Milestone | Planned date |
|------------------------|--------------|
| Scope issued | 19-Jan-24 |
| Scope agreed | 26-Jan-24 |
| Fieldwork commences | 29-Feb-24 |
| Fieldwork completed | 29-Mar-24 |
| Draft report issued | 19-Apr-24 |
| Process owner response | 10-May-24 |
| Director response | 17-May-24 |
| Final report issued | 24-May-24 |