

**HOUSING INTERNAL CONTROLS – S151 UPDATE**

Relevant Portfolio Holder	Cllr Matt Dormer
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering
Ward(s) Affected	All
Ward Councillor(s) Consulted	N/A

**1. SUMMARY OF PROPOSALS**

- 1.1 This report provides members with an updated position following the Internal Audit reports which identified failings in the internal controls present in the Councils Housing Service. This report seeks to provide assurance to members that the matters identified within those reports and subsequent investigations into the Housing Service have been addressed and that improvements that have been made to the internal controls moving forward.
- 1.2 This report also seeks to address those matters identified to this committee by the Councils External Auditors in this context on the 30<sup>th</sup> July 2018.

**2. RECOMMENDATIONS**

- 2.1 That Members consider the actions in place to provide assurance in relation to the weaknesses identified.
- 2.2 That Members request a 6 monthly update on the implementation of actions contained within the reports.

**3. KEY ISSUES**

**Financial Implications**

- 3.1 As Members are aware as a result of Internal Audit reports in 2016/17 in relation to Housing Capital and Post Contract appraisal functions a significant number of failures in contract compliance, contract management and procurement processes were identified. Following initial internal review the degree of seriousness this resulted in 8 members of staff being suspended, all subject to disciplinary investigation and all 8 are no longer employed by RBC
- 3.2 The wholesale range of failures required an immediate and exceptional programme to address and rectify the position. Actions taken to address the issues included:
- Review of all contracts
  - Procurement Officer relocated within Legal
  - Appointed Specialist Officers
  - Review of delegations

- Comprehensive mandatory training
- Stock condition survey to be undertaken
- Review of financial arrangements

- 3.3 Officers have worked throughout with internal audit seeking their support and assurance and external audit have been advised on a regular basis. It is worth noting that the Grant Thornton (GT) Audit Findings report 2017/18, as reported to this Committee in July 2018, stated that GT had considered how the Council has responded to this issue, both with respect to its investigation and ensuring that appropriate arrangements were being put in place to strengthen procurement and contract management. They concluded that the Council's response to investigating the issue was appropriate and proportionate. They also noted that improvements have been made to procurement and contract management.
- 3.4 This report aims to ensure Members have assurance that all recommendations from the Audit team have been implemented or have a clear timeline as to when they will be actioned.

#### **Legal Implications**

- 3.5 The Council has a number of statutory duties to fulfil as a social landlord. Officers are also required to comply with a number of corporate policies including financial regulations and contract procedure rules. As a result of non-compliance on a range of legal requirements and local council policies within the Housing capital team, originally identified by Audit Reports, and subsequently involving disciplinary action in respect of a number of officers within that service, a review of the Council's Housing Services has been undertaken by senior officers. An action plan has been drafted to secure future compliance with legal and corporate requirements and deliver improved services to all our tenants.

#### **Service / Operational Implications**

- 3.6 Members will be aware that the Council's internal audit team carried out two audit investigations into the operation of the Council's Housing Services. These were finalised in March 2017.
- 3.7 As a result of these audit investigations certain recommendations were made to the Head of Housing Services in respect of the financial controls within the Housing Service and the extent to which the identified issues were exposing the authority to risk.
- 3.8 The audit report also identified operational issues that have been reported to members in September via Executive and Council and that within this report there are very specific recommendations in respect of the purpose of the service its future operational delivery and the proposed structure that is required to enable this.

- 3.8 Whilst these operational issues fall to the Executive, the Audit Standards and Governance Committee as members will be aware operates alongside the Executive and its role is to provide assurance to the Council on the effectiveness of its internal controls and governance arrangements that are in place to secure this.
- 3.9 This report seeks to provide a framework within which the Council can be assured that lessons have been learned in respect of the matters identified in the internal audit findings and for the committee to work in partnership with the Audit Standards and Governance Committee, Section 151 Officer, Chief Executive and the Monitoring Officer, Leaders of the Political Groups and the Portfolio Holder for Housing to support the processes that have been established to ensure robust financial conduct and internal control of the Housing Service and its associated Housing Revenue Account.
- 3.10 It is clear from the Audit findings that there have been issues with the internal control and individual's financial management within the Housing Service and that as a result the service to tenants has been adversely affected.
- 3.11 In addition, within the context of the audit reports and further operational and employment related investigations into the management and conduct of staff within the service it was apparent that significant interventions were required. It was also identified that there were training and development requirements for all personnel who had roles or responsibilities in procuring; letting and managing contracts.
- 3.12 in addition, the financial regulations and contract procedure rules were refreshed to give further clarity.
- 3.13 Members will recall that in the spring of 2017 the Councils procurement officer was transferred from the Finance Department into the Legal and Democratic Services department.
- 3.14 The primary reason for this was to enable the procurement officer to work within a team of contract and commercial lawyers and to create a network of support for the Council in the context of its procurement of external services and the management of the contracts that ensued as a result.
- 3.15 It is important to note that in addition to the matters identified within the audit reports that further more in-depth investigations into the operation of the service identified that there were significant staffing issues that needed to be addressed.
- 3.16 Whilst members will appreciate that it would not be appropriate to go into the detail of these individual cases it is important for members to note that the Council has dealt with those issues where appropriate.
- 3.17 It is also important to note that the investigations and audit reports have to date found no evidence of fraudulent activity.

- 3.18 The investigative process for managing these investigations was carried out by an independent third party and that the Councils External Auditors have been advised and informed throughout this process to ensure that the overall value for money assurance could be considered in this context. As stated above they have formally reported their satisfaction with the way the issues have been addressed by the Council.

**Actions**

- 3.19 Members will be aware that as an initial action in response to the audit findings that the Council engaged the services of an external contract manager and that this officer has and continues to be instrumental in the identification of and remedial action in respect of the contracts within the Housing Capital Team and the HRA generally.
- 3.20 All major contracts are being reviewed and regularised where they were found to be holding over or operating outside of a framework.
- 3.21 Members are also advised that resource has been allocated to the recovery actions required within Housing Services and they will be aware that other temporary staff members have been supporting the recovery actions.
- 3.22 The Legal and Procurement team have over the past 3 months been rolling out procurement and contract procedure rules training to all forth tier officers and further contract management training is imminent and will continue until Christmas.
- 3.23 This training will eventually form part of the Council e learning tool and that all officers will be required to undertake this training as part of their induction where the post requires this.
- 3.24 The Legal and Procurement team continue to work with officers to ensure that there is a complete and up to date contracts register and that all officers with procurement responsibilities are trained to use the Councils 'Due North' procurement system and that they are clear on their roles and responsibilities in the context of the letting of contracts and the management thereof.
- 3.25 All new contracts are being negotiated in line with procurement and contract procedure rules and support and guidance given to ensure that the contracts include meaningful and measurable performance tools and milestones in conjunction with regular client contractor meetings.
- 3.25 It has been necessary for the Head of Paid Service to consider the structure of the Housing Department and to ensure that the officers responsible for the delivery of the service are clear on their roles and responsibilities and the rules that they are obliged to follow when operating in a statutory environment.

- 3.26 It is fair to say that there were a number of compliance issues that have been identified as part of the investigation process and members are advised that these have been resolved and robust processes established to ensure compliance moving forward.
- 3.27 In order to further protect this position the Legal and Procurement team have worked with housing staff to enable the letting of compliance based contracts to be more appropriately aligned to ensure both value for money and robust compliance across the service.
- 3.28 It is accepted that the recovery action will take time to embed and that there is much work to be done before the issues that have been identified are all resolved.
- 3.29 It is for this reason that the Chief Executive has reported separately to the Council Executive in respect of the future vision for the service and its direction of travel and action plan together with the structure proposals for the department moving forward.
- 3.30 It may be that members feel that it would be appropriate to have oversight of the action plan as part of their role in ensuring overall system control and compliance moving forward.
- 3.31 Appendix A details all of the actions either implemented or with a clear timeline of delivery for the Capital Programme Audit
- 3.32 Appendix B details all of the actions either implemented or with a clear timeline for delivery of the Post Contract Appraisal Audit.

**Customer / Equalities and Diversity Implications**

- 3.33 The improvements as recommended within the Internal Audit reports and the recent detailed operational and structural report to Executive will ensure that tenants receive a service that is compliant, safe and delivers good customer care.

**4. RISK MANAGEMENT**

- 4.1 The detailed action plan contained within the operational and structural report together with the actions from the internal audit reports are included in the Councils corporate risk register and is updated on a regular basis by the management team.

**5. APPENDICES**

- Appendix 1 - Housing Capital Programme  
Appendix 2 - Post Contract Appraisal

**6. BACKGROUND PAPERS**

**7. KEY**

**AUTHOR OF REPORT**

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email:

Tel.: