

REPORT TO: SCRUTINY COMMITTEE – 13 FEBRUARY 2013

REPORT ON: INTERNAL AUDIT REPORTS

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 66-2013

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee a summary of the Internal Audit Reports finalised since the last Scrutiny Committee.

2.0 RECOMMENDATIONS

Members of the Committee are asked to note the information contained within this report.

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

4.1 The day-to-day activity of the Internal Audit Service is primarily driven by the reviews included within the Internal Audit Plan. Broadly, on the completion of a specific review, a report which details the audit findings and recommendations is prepared and issued to Management for a formal response and submission of Management's proposed action plan to take the recommendations forward. Any follow-up work subsequently undertaken will examine the implementation of the action plan submitted by Management.

4.2 Executive Summaries for the reviews which have been finalised in terms of paragraph 4.1 above are provided at Appendix A. Within each Executive Summary the prime aim is to provide both Members and Management with key information which includes the reason for undertaking the review, summary financial data and statistics, the areas encompassed within the review and specific areas which were excluded, the principal audit objectives, an audit opinion on the adequacy of the systems and control framework of the area reviewed, the key conclusions based on the audit findings and recommendations and a summary of Management's response to the audit report. The full reports are available to Members on request.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Sallie Dailly, Chief Internal Auditor

DATE: 28 January 2013

i) INTERNAL AUDIT REPORT 2011/34

Client	Housing
Subject	Licensing of Houses in Multiple Occupation

Introduction

A review of the arrangements in place within the Council to exercise its statutory duties in relation to the licensing of houses in multiple occupation (HMO) was part of the planned internal audit work.

In 2000, a new Order under the Civic Government (Scotland) Act 1982 made it mandatory for all local authorities in Scotland to introduce an HMO licensing regime to achieve and maintain high standards in the private rented housing sector. With effect from 31 August 2011, the HMO regulation changed to a regime governed by the Housing (Scotland) Act 2006 (2006 Act).

The definition of an HMO, as detailed in the 2006 Act, is any living accommodation where the occupants, of which there should be three or more from three or more families, share one or more of the basic amenities. In addition, it must be the occupant's main residence. To operate an HMO, the owner of the living accommodation must hold a valid licence, which can be obtained by submitting an application to the Council. The decision regarding whether or not to grant the HMO licence is made by the Council's Licensing Committee. HMO licences are issued for a maximum of 3 years. The day-to-day administration of the Council's HMO licensing regime is undertaken by the Housing Department's Private Sector Services Unit and the Corporate Services Department's Support Services Division.

As at 31 March 2012, there was of the order of 1,500 HMO licences. During 2011/12, the Council received a total of 84 new and 243 renewal applications.

Scope and Objectives

To carry out a high level review of the processes and procedures in place within the Council to exercise its statutory duties in relation to HMO licensing under the 2006 Act and Statutory Guidance for Scottish Local Authorities developed by Scottish Ministers (Statutory Guidance).

Conclusion

The principal conclusion drawn from this review is that there are weaknesses in the system which should be addressed.

The main areas highlighted in the report are as follows:

- To reduce the potential risk of inconsistent working practices, particularly during periods of absence and ensure compliance with legislation, the HMO procedure, process maps, and application forms should be updated to address the areas requiring improvement highlighted in the report. Consideration should also be given to reviewing the HMO system as a project under the STEP programme.
- To assist the Council in discharging its statutory responsibility of determining an HMO licence application within twelve months, the HMO records held on the Council's primary licensing system, CIVIC, should be reconciled on a regular basis to the HMO Data Management System.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Director of Corporate Services and the Director of Housing and appropriate action agreed to address the matters raised.

ii) INTERNAL AUDIT REPORT 2012/09

Client	City Development
Subject	Carbon Reduction Commitment Energy Efficiency Scheme

Introduction

A review of the Council's submission for the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) was part of the planned internal audit work.

In 2008 the CRC was introduced as a mandatory emissions trading scheme aimed at improving energy efficiency and cutting carbon dioxide (CO_2) emissions in large public and private sector organisations. The CRC operates in phases with phase 1, 2010/11 to 2013/14, being the first and introductory phase. As well as compiling a Footprint Report at the beginning of each phase, the Council is responsible for submitting an Annual Report detailing its CO_2 emissions for the reporting year, purchasing and surrendering allowances to cover these and maintaining an up-to-date evidence pack to support this.

The Scottish Environment Protection Agency (SEPA) is the scheme regulator in Scotland and conducts a rolling programme of audits to ensure compliance with CRC and verify the accuracy of the records and returns. To demonstrate compliance, participants are also required to carry out an internal audit of their CRC data, evidence pack and Annual Report. Penalties can be imposed where participants' fail to comply with their CRC responsibilities or report inaccurate figures.

Announcements by the Government during the 2010 Spending Review resulted in some changes being made to CRC including the first allowance sales for 2011/12 emissions taking place at the end of the reporting year rather than at the beginning and the trading of allowances throughout the reporting year being removed completely. In addition, income generated from the sale of these allowances, previously intended to be 'recycled' back to participants is now being used to support public finances, including spending on the environment.

There are 34,267 tonnes of CO_2 emissions reported in the Council's 2011/12 Annual Report. Allowances at £12 per tonne, totalling approximately £410,000, were purchased and surrendered to cover these emissions.

Scope and Objectives

To carry out a review of the Council's 2011/12 CRC data, evidence pack and Annual Report.

Conclusion

The principal conclusion drawn from this review is that whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made.

The main areas commented upon in the report are as follows:

- The Council should ensure that if estimating techniques are considered necessary when determining the energy per meter that should be included for the compliance year that these are carried out in accordance with recognised best practice, including SEPA guidance.

Management Response to the Audit Report

The audit findings and recommendations were formally reported to the Director of City Development and appropriate action agreed to address the matters raised.