

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE
ISSUED QUARTER 4 2016/17**

Building Control – 31 January 2017

1 Introduction

1.1 In accordance with the Audit Plan for 2016/17, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in January 2016.

1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

2.1 Building Regulations apply to most types of building works and set minimum standards to ensure the safety of people in and around buildings.

2.2 Warwick Building Control is a partnership providing building control services to Warwick District Council (the host authority), Daventry District Council and Rugby Borough Council.

2.3 The partnership was established in April 2015 to enable the councils to work together to maximise the use of resources for the provision of a shared, professional, and effective building control service to the council's respective communities.

2.4 The previous audit covered the governance of the partnership as a whole but concentrated the testing on applications relevant to Warwick District Council only. It was, therefore, agreed that a follow-up audit would be undertaken to cover the provision of the services to all parties.

3 Scope and Objectives of the Audit

3.1 The audit was undertaken to test the management and financial controls in place.

3.2 In terms of scope, the audit covered the following areas:

- Service provision and monitoring
- Roles and responsibilities
- Application processing
- Finance
- Contingency planning and risk management.

3.3 The control objectives examined were:

- All parties are aware of what the partnership aims to achieve in relation to the services being provided
- All parties are kept informed of performance against the stated aims and objectives
- All members of the partnership are aware of what is expected of them
- Each staff member is aware of their roles and responsibilities
- A consistent and timely service is provided across the partnership
- Appropriate records are maintained
- Management are aware of day-to-day operational performance
- Fees are set in line with costs enabling the required 'break-even' position to be achieved
- The council complies with relevant legislation
- All relevant stakeholders are aware of the fees that have been set
- Applicants are charged the appropriate fee for each application
- The council (partnership) receives all monies due to it
- Each partnership member pays the correct amount for the services provided
- Contingency plans exist to ensure that the services can continue to be provided
- The council and the wider partnership are aware of the risks in relation to the services provided and have taken steps to address them.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit reported in January 2016 is as follows:

Recommendation	Management Response	Current Status
1 References to discontinued mitigation measures in the Development Services Risk Register should be identified and removed and the applicable risks re-evaluated as appropriate.	Risk register to be reviewed.	The risk register has been updated accordingly.
2 Future reviews of the Development Services Risk Register should ensure that risk mitigation measures specified truly represent actual procedures being followed.	Risk register to be reviewed.	A recent review was evidenced at the time of the audit.

4.1.2 A number of other minor issues were noted but, as work was already in

progress to address them, no formal recommendations were included in the report in relation to these.

4.2 **Service Provision & Monitoring**

4.2.1 A formal service level agreement is in place which all partnering authorities have signed up to. A business plan is also now in place, covering the period 2016 to 2019 and minutes provided from the board meeting held in September 2016 confirm that all board members have confirmed their acceptance of the plan.

4.2.2 The plan includes a Mission Statement which sets out the overall aim of the partnership (formally named as Warwick Building Control) along with the organisation objectives.

4.2.3 Further aims and objectives are set out in other sections of the document, such as the aim of achieving 'at least the maintenance of its current market share ...' as part of the Market Analysis section and an 'overall direction of travel' and associated aims included in the Strategic Plan section.

4.2.4 Partnership Board meetings are now being held every three months. They were being held every two months but quarterly meetings were considered to be more relevant as this ties in with the production of the quarterly monitoring figures. The latest board minutes were provided and were found to include details of certain performance aspects such as finance along with issues that may affect overall performance such as staff workload and issues over the migration of data.

4.2.5 Operational meetings are also held. The Head of Consortium (HoC) advised that team meetings are held on a monthly basis with all staff being invited to attend, although it is not always possible due to site visits etc. The Head of Development Services also attends when possible. These meetings have formal agendas and are minuted, with performance figures also being discussed at these meetings.

4.2.6 The business plan includes various different performance measures including targets for the day-to-day works in the Operational Plan section. Local and national key performance indicators are also detailed within the plan with these targets and measures generally overlapping. As well as these defined measures, there are other targets such as market share that are included within the document.

4.2.7 Various performance reports are prepared with weekly reports, such as the Applications Awaiting Decision reports, mainly for action of the individual officers with the monthly reports, including compliance with acknowledgement targets, being presented to the board meetings for information.

4.3 **Roles & Responsibilities**

4.3.1 The shared services agreement clearly sets out the responsibilities of the various parties. This is largely relevant to the host authority, as they have

the responsibility for the day-to-day operations of the partnership. However, it also identifies the responsibilities of the Management Board and specific responsibilities of individual councils in relation to issues such as payments and provision of office accommodation and ICT.

- 4.3.2 The HoC provided job descriptions for the majority of positions within the organisational structure. However, when the initial request was made for copies of the job descriptions, there was no job description in place for the Building Consultant post.
- 4.3.3 The HoC suggested that a new job description for this post may not have been created although it would be in line with the previous Building Control Officer post from the old structure with the only real change being in the form of the job title. He subsequently created a job description document for this post.
- 4.3.4 He also advised that the job descriptions cover staff from all of the partnering authorities although some staff still retain their old terms and conditions. However, he suggested that this is due to change.
- 4.3.5 The current staffing structure was compared to that as set out in the business plan. The HoC advised that there is currently one vacancy at Senior Building Consultant level and one Business Support Officer vacancy.
- 4.3.6 There have also been two staff appointed at lower levels with one Assistant Building Consultant and one Building Consultant being employed instead of two further Senior Building Consultants. However, this has not been reflected in the plan document. Whilst it is not considered necessary to include a recommendation, this should be taken into account when the business plan is next reviewed.

4.4 **Application Processing**

- 4.4.1 A procedure manual was found to be in place. However, as at the time of the previous audit, this still needs to be reviewed and updated. The copy provided showed procedures dated from October 2007 and the sample procedures reviewed (Full Plans Processing) were no longer being followed.
- 4.4.2 No recommendation was included in the previous report as the draft business plan in place at the time identified this issue and completion of the review and compilation of the new procedure manual was scheduled for completion during the first and second quarters of 2016/17. However, this process has still not been completed at the time of the audit in quarter three. As a result it is felt that a formal recommendation is required this time around.

Risk

Staff may not provide a consistent service.

Recommendation

The procedure manual should be updated to reflect current working processes.

- 4.4.3 The HoC advised that there are some internal timescales as well as formal, statutory, timescales. Internally there are measures for the time taken to formally process the applications and place them on deposit (24 hours) and to undertake the checking of the plans (one week) and these timescales are proactively monitored on the fee / application manager spreadsheets that are maintained.
- 4.4.4 The statutory timescales relate to the amount of time taken for a formal decision to be taken. This should be undertaken within five weeks from the date that the application is placed on deposit. However, applicants can also advise whether they are willing to accept a slightly longer timescale of two months and this is evidenced via a tick box on the application forms (or a response on the online applications).
- 4.4.5 The HoC highlighted that adherence to the timescales will be partly down to whether the architects respond to the request for further details. Some applications may be conditionally approved if the applicants are willing to accept this in order for the applications to be decided within the relevant timescale.
- 4.4.6 Sample testing on the timeliness of decision notices was undertaken as part of a general test of application and fee processing. As there are no current procedures, the sampled applications could not be tested against them. However, general processing testing was undertaken based on the processes established during the walkthrough reviews.
- 4.4.7 The sample of 30 applications chosen for testing was split equally between all three partnering authorities. Testing concentrated on full plans applications as the processes undertaken for the other types of applications are encompassed within the processing of full plans applications.
- 4.4.8 On the whole the applications were being processed appropriately. However, a few minor issues were identified:
- In two cases copies of acknowledgement letters and responses from consultees were not attached to IDOX.
 - When reviewing IDOX for one application it was noted that a receipt relating to a different application had been stored in the file.
 - A general point was noted with copies of letters being stored which contained incomplete information. In some cases amended documents were also on the system, but it was unclear, due to the nature of the document storage, as to whether the initial, incomplete letters had been issued.
 - Two decision notices had not been issued in a timely manner. In another case, there was not deposit date on the system so it was not possible to confirm whether the decision was timely.
 - Two issues were noted with the completion of relevant fields on Acolaid:
 - In four cases, consultee responses had been received from the fire service and were held on IDOX, but no details had been entered to show that the consultation had taken place.

In five cases there was no commencement date in the system. This was largely down to the way that the relevant inspection details had been entered.

- Inspection details were against the wrong case for one application. A full plans application had been withdrawn and a new building notice application for the same property had been received, but some inspection notes had been made against the old full plans application.

Risk

Applications may be inappropriately processed.

Recommendation

Staff should be reminded of the correct procedures to undertake regarding the processing of applications, including the completion of relevant fields on Acolaid, the retention of relevant documentation and the need for timely processing.

- 4.4.9 Despite staff from partner authorities having to use different systems and the number of new staff within the partnership there is currently no 'quality assurance' case monitoring being undertaken.

Risk

Applications may be inappropriately processed.

Recommendation

Sample case monitoring should be undertaken by senior staff to ensure that applications are being appropriately processed, with the system being completed accurately.

- 4.4.10 The Senior Building Consultant involved in the migration of data onto the Acolaid system being used by the partnership advised that, whilst the Daventry DC migration had now been completed, there are still some issues being encountered. The Rugby BC migration was now underway and this was anticipated to be a smoother migration due to the lessons learnt.

4.5 **Finance**

- 4.5.1 The HoC and the relevant Assistant Accountant (AA) both highlighted that it had not been easy in the early days of the partnership to ensure that all relevant costs were known, with some staff transferred from Rugby keeping their old terms and conditions and other costs, such as IT, being missed. There had also been an expectation that Coventry would be part of the partnership.
- 4.5.2 The AA advised that there had been a deficit last year, but there had been a surplus carried forward and Rugby had transferred their building control reserve credit across.
- 4.5.3 Building control services are expected to maintain a balanced budget over a rolling five-year period and the need for maintaining a cost-neutral position is understood by relevant staff in the service.

4.5.4 The current budget position and the outturn for the previous financial year were discussed with the HoC. Appropriate detail was provided as to the variances identified although two budget codes (consultants' fees and the budget shown for recharges to others) need to be reviewed due to current anticipated levels of income and expenditure.

Risk

Staff may be unaware of the current budget position of the service.

Recommendation

The figures included in the budget for consultants' fees and the recharges to others should be reviewed and amended accordingly.

4.5.5 Another requirement of the Building (Local Authority Charges) Regulations 2010 is that an annual financial statement should be produced. The Principal Accountant (Revenue) advised that the financial statement used to be included as a note to the statement of accounts. However, this was no longer required in the accounts, so he was unsure whether the statement was still being produced.

4.5.6 Upon discussion with the HoC it was identified that nobody was sure who should be producing this now and no annual statement had been produced.

Risk

The financial requirements of the Building (Local Authority Charges) Regulations 2010 may not be complied with.

Recommendation

An annual financial statement should be produced and published.

4.5.7 Fees are presented for approval by Council each year via the Executive as part of the general fees and charges report. As per the Executive report for the setting of the 2017 fees, the current main driver for building control fees is maintaining competitive charges to guard against work being lost to the private sector.

4.5.8 The fees for the year are published on the application forms and on a supplementary fees document, both of which are available on the council's website. Upon review of the fees included on the application form it was confirmed that all fees agreed to those approved by Council.

4.5.9 The supplementary charges are not, however, included in the committee report, so have not received formal approval. The Principal Accountant (Systems) advised that the charges should be included in the report and asked for a copy of the document to be forwarded to him so that he could place it in his working folder for the next report. As he has this in hand, Internal Audit consider that no formal recommendation is warranted.

4.5.10 As part of the sample testing mentioned above, testing was undertaken to establish whether fees were being appropriately charged, whether they were being received in a timely manner and whether they were being credited to the correct applications.

- 4.5.11 This testing proved generally satisfactory although in one case both the submission and inspection fees had been received after the completion certificate had been issued. However, as this was a one-off and new processes are now in place (see below), it is not felt that a recommendation is required.
- 4.5.12 When an application is input onto Acolaid the relevant fee is calculated using the system parameters. The fee parameter table from Acolaid was reviewed and compared to the agreed figures.
- 4.5.13 The fees for 'all other works' were split on the fee table between domestic and non-domestic alterations and it was noted that the value bands for non-domestic alterations differed from the domestic ones. As a result the fees for non-domestic alterations were incorrect for some fee bands. It was also noted that two of the regularisation figures had been input incorrectly.

Risk

Incorrect fees may be charged.

Recommendation

The fee parameter table in Acolaid should be updated to include the correct figures.

- 4.5.14 Where building works fall outside of the 'normal' fee bands, the service provides a bespoke quote to the applicant. In five of the sampled cases bespoke fees had been set. The level of detail retained to support the fees was different in each case and in some it was not clear how the figure had been arrived at.
- 4.5.15 However, steps had already been taken to address this issue with a template for setting out the bespoke fees having been sent to staff shortly after the commencement of the audit and prior to the completion of the relevant testing.
- 4.5.16 The Business Support Manager advised that she is in the process of working through the unpaid fees reports and, at the time of the audit, was working through the applications from 2015.
- 4.5.17 She highlighted that this is a job that gets undertaken as and when resourcing allows and highlighted that it is a fairly laborious process due to the previously identified issue where fees paid via TOTAL or BACS were not being picked up. Emails are now received from the Senior Finance Administration Officer when these payments are received, but the old cases still need to be reviewed.
- 4.5.18 She also advised that the new processes for applications will flag up any unpaid fees. Email alerts are generated when relevant inspections have been input onto the system and officers will email when they require decision notices and completion notices to be issued. These cases are checked to ensure that fees have been received before the certificates are issued. If fees have not been received, the emails are retained and are

flagged to show that the fee is outstanding.

4.5.19 Certain costs are recharged to the individual authorities under the partnership agreement. Recharge figures are calculated based on the timesheets compiled by every member of staff.

4.5.20 The figures are summarised onto recharge spreadsheets with the figures being split between the different authorities. Due to the number of different timesheets and the number of codes, the figures on the summary spreadsheets were not checked back to the timesheets. However, the recharge amounts calculated on the summary spreadsheets were found to have been appropriately used on the invoices to both Daventry and Rugby.

4.6 **Contingency Planning & Risk Management**

4.6.1 Whilst not set out specifically as a contingency plan, the shared services agreement covers various relevant aspects.

4.6.2 Section 22 covers withdrawals from the agreement by any of the parties and annex B covers the processes for changing the host authority. Section 24 also covers the process for termination of the agreement and this makes specific reference to ensuring 'a minimum of disruption to the delivery of building control services for each Council as reasonably practical'.

4.6.3 The departmental risk register includes a specific section for building control as well as sections for other services and generic risks. Upon review by Internal Audit, the building control risks are considered to be appropriate and contain appropriate details of the risk mitigation measures and controls.

4.6.4 The specific issue raised during the previous audit related to an outdated risk mitigation measure still being included. It was confirmed that this has been updated accordingly.

4.6.5 Recent updates were also noted on the register, such as the appointment of two new Assistant level officers. The risks included within the Business Plan largely agree with those in the departmental risk register, although the staff appointments are not included. As at 4.3.6 above, this should be reflected (if still relevant) when the business plan is next updated.

5 **Conclusions**

5.1 Following our review, in overall terms we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of the Building Control are appropriate and are working effectively.

5.2 The assurance bands are shown overleaf:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.

Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 However, a number of issues were identified:

- Procedural guidance still needs to be updated to reflect current processes.
- Acolaid had not been correctly completed for a number of sample applications.
- Issues were also noted upon review of the sampled applications relating to the retention of relevant documentation and the timeliness of processing certain applications.
- There is currently no quality monitoring being undertaken on the processing of applications.
- Some budgets did not accurately reflect known income and expenditure levels.
- An annual financial statement has not been prepared.
- The fee parameter table in Acolaid was incorrect for certain fees.

5.4 During the discussions held relating to the agreement of the action plan, the Head of Consortium and Business Support Manager acknowledged that some of the issues raised were historic, with some pre-dating their employment. However, they acknowledged that the actions needed to be undertaken and welcomed the report.

6 **Management Action**

6.1 The recommendations arising above are reproduced in the Action Plan for management attention.