WARWICK DISTRICT COUNCIL

	INTERNAL AUDIT REPORT

FROM:	Audit and Risk Manager	**SUBJECT:**	Local Land Charges
TO:	Head of Development Services	**DATE:**	12 March 2018
C.C.	Chief Executive		
	Deputy Chief Executive (BH)		
	Head of Finance		
	Development Manager		
	Systems & Business Improvement Officer		
	Portfolio Holder (Cllr AR)		

1 Introduction

1.1 In accordance with the Audit Plan for 2017/18, 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 December 2015.

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 A local land charge search is undertaken as part of the conveyancing process when a property or piece of land is changing hands or is being valued (e.g. for re-mortgaging). The objective of the search is to uncover any restrictions or legal obligations against the site, such as conditional planning consents, listed buildings or tree preservation orders etc.

2.2 The audit was undertaken during a period of change, with the department undergoing a restructure, and the officer who had previously been undertaking the majority of the searches being on long-term sick leave. A personal search 'kiosk' had also been implemented enabling members of the public to undertake their own personal searches, thus freeing up the time of Development Services staff.

2.3 A substantial element of the land charges function is also to be taken over by the Land Registry in the near future, with the Council being in the first tranche of authorities to move across to them. This may not, however, cover all of the different searches that are performed by local authorities.

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:

- Process and procedures
- Timeliness of searches
- Accuracy of searches
- Finance
- Risk management
- Performance monitoring

3.3   The audit programme identified the expected controls. The control objectives examined were:

- Land charges functions are discharged in accordance with established systems and procedures
- Requests for searches are dealt with in a timely manner
- Searches are processed in a timely manner
- Appropriate and accurate searches are performed
- Fees are set accordingly to ensure that the costs break even over the three year rolling period
- The council receives the appropriate amount of income for the searches performed
- Fees are accounted for correctly
- Payments are accurately made
- Management are aware of the risks associated with the provision of services
- Management and Members are aware of how the service is performing.

4   **Findings**

4.1   **Recommendations from Previous Reports**

4.1.1   The current position in respect of the recommendations from the audit reported in December 2015 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 Responses to search requests should be sent out in a timely manner.	Responsible officer to go through CON29O with Team Leader to minimise handling and timescales.	Sample testing highlighted that there are still issues over the timeliness of the responses, although restructuring and other staffing issues have played a part in this. See 4.3.3 below.

	Recommendation	Management Response	Current Status
2	Staff should be reminded of the need to ensure that all relevant tabs have been signed off before issuing the search responses.	Meeting held to go through report and discuss issues such as this and the importance of completion.	The review of the outstanding searches on each tab highlighted a similar issue for cases that had been cancelled or had been created in error, with the relevant cases showing as outstanding despite being signed off. See 4.3.8 below.
3	Acolaid should be reviewed to ascertain whether reports can be produced showing search requests that have not been responded to.	Officer being trained to write reports from the system to enable us to interrogate date better.	A report is in the process of being built that shows all outstanding searches. See 4.7.4 below.
4	Staff should be reminded of the need to accurately plot the searches on the GIS system.	Meeting held to go through report and discussion on importance of plotting and consequences of not doing it correctly.	No issues were noted during the sample testing undertaken for this audit. See 4.4.2 below.
5	Staff working on land charge searches should complete timesheets to allow for the costs of providing the service to be accurately calculated.	Already being completed and costs are being reviewed to report to Executive.	Timesheets were completed following the previous audit and time reports continue to be produced. See 4.5.2 below.
6	The Acolaid system and the council's website should be updated to show the correct fees, with these fees being charged to the customers.	Need to ensure the website and Acolaid provide the same information.	The website and the system parameters now include the correct fees. Two incorrect figures were initially identified in the Acolaid fee table but the Systems & Business Improvement Officer (SBIO) addressed this immediately when it was flagged. See 4.5.4 below.
7	A review should be undertaken of the dates used in the performance monitoring reports to ensure that management are given accurate information.	Meeting held to discuss processes and dates used in reports.	Upon review of the parameters for the report, the SBIO confirmed that the receipt date was being appropriately used for the reports.

Recommendation	Management Response	Current Status
8 Cumulative figures should be included in the monitoring reports, with consideration being given to including details of any 'outliers' for further investigation.	Reports to be reviewed with IT and Information & Improvement Officer.	This is still an issue, with the weekly and monthly monitoring reports not showing cumulative data. See 4.7.3 below.

4.2 **Process & Procedures**

4.2.1 The Development Manager (DM) and the SBIO advised that a procedure manual is in the process of being put together but this was a work in progress and, due to current restructures and staff availability, this was having to fit in with getting the actual searches performed.

4.2.2 The SBIO also advised that the Council is signed up to the Local Land Charges Institute. The Institute circulates information relating to changes in legislation and other relevant issues affecting land charges and keep its website up-to-date relating to this information. The SBIO suggested that this is checked and relevant information would be disseminated to staff during the daily catch up meetings.

4.3 **Timeliness of Searches**

4.3.1 Requests for searches can either be received through the post; via email; or through two different on-line portals (NLIS and TM Group).

4.3.2 Internal Audit were advised that the aim of the department is to ensure that searches are processed and responded to within ten days. However, as previously highlighted, the service is currently going through a restructure and the officer that previously dealt with the majority of searches has been on long-term sick leave. Searches were, therefore, being dealt with by the SBIO and one of the Technical Support Officers alongside their other responsibilities.

4.3.3 Testing was undertaken on a sample of 20 requests, covering all types of searches, to ascertain whether this was having a major impact on the timeliness of the search processing. This confirmed that half of the sample had taken more than ten days to process, with three of these having taken over 20 days.

Risk

The reputation of the Council may be damaged by slow responses.

Recommendation

Search requests should be processed in a timely manner.

4.3.4   The Land Charges module of the Active H system separates the questions that are answered for the various searches into a number of tabs for the different areas that are responsible for answering the questions (e.g. building control, environmental health and highways). Each of these tabs contains a function that highlights any outstanding searches in that area.

4.3.5   At the start of the audit there was a large number of searches showing on the outstanding searched tabs for the different sections. However, by the time of the specific audit testing, a large number of these had been resolved.

4.3.6   Of those that were still outstanding, ten were shown as being over ten days old, so they were queried with the SBIO. He advised that the PRS+ searches (five) show as outstanding until they are paid for and the three searches for addresses on one street (Yardley Way) were no longer required and they just need to be signed off to close them down which was duly undertaken.

4.3.7   The two other queries were errors. One was a duplicate entry and the other was for a search outside of the district. Again, the SBIO signed these off and entered an end date for them.

4.3.8   However, in line with the findings from the previous audit, both the Yardley Way and the 'other' queries cases still show as outstanding as not all tabs had been signed off and there is nothing on the action tab (i.e. no report had been issued).

Risk

Inaccurate information may be reported in relation to outstanding cases.

Recommendation

Cases shown on the outstanding search tabs should be reviewed to ensure that they are appropriately closed off where no further action is required.

4.4   **Accuracy of Searches**

4.4.1   Different types of searches can be requested, with different questions being covered. The abovementioned sample of searches was reviewed to ensure that the correct questions had been answered in each case. This test proved satisfactory.

4.4.2   The answers to the different questions will largely be dependent on what is included on the different layers of the GIS system. Testing was, therefore, undertaken to ensure that the sample cases had been correctly plotted on GIS, thus ensuring that the correct items would be brought through. Again, this test proved satisfactory.

4.4.3   The information relevant to the searches is generally held electronically. However, the details used to be held on Blue Cards. Scanned copies of these

were taken and they should be checked when a search requests is received for the relevant address.

4.4.4   In six of the sampled cases, copies of the blue cards were found to be held. In all cases, details on the cards had been appropriately included in the responses, with items that were not on the responses being checked to Acolaid to ensure that the plot would have picked them up were they relevant. However, the cards relating to five of these cases had not been moved to the 'checked' folders, so it was not necessarily evident that they had been checked when the searches were performed.

4.4.5   No formal recommendation is thought to be warranted in relation to this finding, as there is no real risk if they are not moved. However, it should be noted so that this can be addressed as appropriate.

4.5   **Finance**

4.5.1   Regulations in relation to Land Charges fees stipulate that the fees should be set so that they breakeven over a three year rolling period against the cost of providing the service.

4.5.2   Fees are set on an annual basis as part of the fees and charges process. The last audit recommended that timesheets should be completed so that the costs of providing the services could be accurately calculated. The DM advised that this had been undertaken and the SBIO provided details of recent time records.

4.5.3   In spite of this, the income received is still much higher than the costs attributed to the service each year, with the fees and charges reports for the last two years stating that fees should not increase. This had been implemented, although slight changes had been required as a result of the Government deciding that VAT should be charged on part of the fees.

4.5.4   The Acolaid system automatically calculates the fees for each search, dependant on which questions are selected, with the fee table being within the system parameters. Upon review of the parameters it was noted that the majority of fees accurately reflected the agreed prices. However, two incorrect fees were noted in respect of optional questions. These were flagged with the SBIO at the time of the audit and were amended immediately.

4.5.5   The sample testing undertaken confirmed that the correct fee had been received in each relevant case, including the one case that included these optional questions. It also confirmed that the fees were being credited against the correct search where relevant information was available.

4.5.6   Warwickshire County Council (WCC) send invoices to the Council on a quarterly basis in respect of their fees for undertaking highways searches. The SBIO confirmed that the number of searches would be checked against the supporting spreadsheet provided by WCC prior to the payment being made.

4.6   **Risk Management**

4.6.1   The risk register for the Policy & Development aspects of Development Services was provided and was found to contain one specific risk relating to land charges, i.e. the failure to maintain an accurate land charges register. The actions recorded to mitigate this risk have been amended to make reference to the implementation of the self-service kiosk and the transfer of the function to the Land Registry which are considered appropriate.

4.6.2   As well as this specific risk, the register also includes a number of generic risks that could also have an impact on the function (e.g. the failure of IT) and, again, the actions recorded in order to mitigate these risks are considered appropriate.

4.7   **Performance Monitoring**

4.7.1   A copy of the 2017/18 Service Area Plan for Development Services was provided. However, no mention is made of land charges, either within specific measures or the service overview.

4.7.2   A general mention of the function was, however, included in the Portfolio Holder statement to the September meeting of the Overview & Scrutiny meeting covering the implementation of the land charges kiosk and the proposal to move responsibility for land charges to the Land Registry.

Risk

The performance of the function may not be appropriately measured.

Recommendation

The next Service Area Plan for Development Services should include reference to the remaining aspects of the land charges function.

4.7.3   Performance monitoring reports are produced for both weekly and monthly figures. The monitoring undertaken looks at the average number of days to complete the searches as well as the number of outstanding searches at the end of each week. However, it appears that, as at the time of the previous audit, these figures are only concerned with the searches received in the period and no cumulative data is reported.

Risk

Management may be unaware of the actual performance of the function.

Recommendation

Cumulative figures should be included in the monitoring reports, with consideration being given to including details of any 'outliers' for further investigation.

4.7.4 A further report is also being built which looks at outstanding searches, with a red / amber / green status being assigned to each depending on how many days there are until the (ten day) target date (six to ten days- green, three to five days – amber, and two days or less – red). The copy report provided included a number of gaps in the data, so the SBIO was to look into this before full use was made of the report.

5 Conclusions

5.1 Following our review, in overall terms we are able to give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Local Land Charges are appropriate and are working effectively, taking into account the staffing issues and the impending move of the majority of the function to the Land Registry as highlighted (see 2.3 & 2.3 above).

5.2 The assurance bands are shown below:

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 A number of minor issues were, however, identified:

- Searches are often taking longer than the target of ten days, although staffing issues including a restructure and sickness have had an impact in this area.
- Cases included on the outstanding search tabs are not all actually outstanding, so Acolaid needs to be reviewed to ensure that the cases are being closed properly.
- The Service Area Plan for Development Services makes no mention of the land charges function.
- Performance reports do not show cumulative information.

6 Management Action

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Local Land Charges – March 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.3.3	Search requests should be processed in a timely manner.	The reputation of the Council may be damaged by slow responses.	Low	Applications Officers, Systems & Business Improvement Officer and Business Managers	Performance in this respect has been impacted as set out in the body of the report. However revised performance monitoring measures are now in place and recruitment into vacant administration posts is now taking place to build in further resilience.	Currently in progress.
4.3.8	Cases shown on the outstanding search tabs should be reviewed to ensure that they are appropriately closed off where no further action is required.	Inaccurate information may be reported in relation to outstanding cases.	Low	Systems & Business Improvement Officer and Business Managers	Any revisions to procedures required in this respect are being reviewed now.	Currently in progress.
4.7.2	The next Service Area Plan for Development Services should include reference to the remaining aspects of the land charges function.	The performance of the function may not be appropriately measured.	Low	Development Manager and Head of Development Services	This will be included as part of the current Service Area Plan review.	April 2018

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.7.3	Cumulative figures should be included in the monitoring reports, with consideration being given to including details of any 'outliers' for further investigation.	Management may be unaware of the actual performance of the function.	Low	Systems & Business Improvement Officer and Business Managers	This recommendation is being progressed now.	Currently in progress.

* Risk Ratings are defined as follows:

High Risk: Issue of significant importance requiring urgent attention.
Medium Risk: Issue of moderate importance requiring prompt attention.
Low Risk: Issue of minor importance requiring attention.