

FROM: Audit and Risk Manager **SUBJECT:** Local Land Charges
TO: Head of Development Services **DATE:** 3 August 2020
C.C. Chief Executive
Deputy Chief Executive (BH)
Head of Finance
Manager – Development Services
Systems and Business
Improvement Officer
Portfolio Holder (Cllr Cooke)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and action where appropriate.
- 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.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face to face, correspondence has been via email or telephone calls.

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 Since 2018, searches for land charges have been the responsibility of the Land Registry. This does 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

3.4 There was a minor limitation to the scope of this audit where testing using the GIS system (4.4.2) was not possible because of the -19 restrictions.

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the previous audit, undertaken in March 2018, was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 Search requests should be processed in a timely manner.	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.	Search request timings were reviewed and found to be satisfactory.

Recommendation	Management Response	Current Status
2 Cases shown on the outstanding search tabs should be reviewed to ensure that they are appropriately closed off where no further action is required.	Any revisions to procedures required in this respect are being reviewed now.	Cases are closed off when no further action is required.
3 The next Service Area Plan for Development Services should include reference to the remaining aspects of the land charges function.	This will be included as part of the current Service Area Plan review.	There is no reference to Land charges in the service area plan. (See 4.7.1 below)
4 Cumulative figures should be included in the monitoring reports, with consideration being given to including details of any 'outliers' for further investigation.	This recommendation is being progressed now.	Figures of outstanding search requests are rolled over in the weekly monitoring reports.

4.2 Processes and Procedures

4.2.1 There are a number of procedure guides in place for staff to follow when processing land charges searches. This includes guides for completing searches and plotting them. All have the current procedure detailed with most of them being updated within the last twelve months.

4.2.2 The Council is a member of the Local Land Charges Institute and receives notifications from the Institute when there are changes or updates to the legislation. When these updates are received they are circulated to the relevant staff members.

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). Requests are only occasionally received through the post and, due to the current circumstances, search companies and solicitors have been notified that search requests should be sent via email if they do not have access to the search portals.

4.3.2 There is an aim to complete searches within ten days wherever possible. A review of the outstanding search requests in the land registry email account

and portals was carried out. At the time of audit testing, there were fourteen outstanding requests, with the oldest being eight days old. The time frame covered included a bank holiday weekend and may have been affected by the changes in working arrangements due to the Coronavirus pandemic.

4.3.2 Sample testing across a variety of searches showed that search requests are usually responded to within 10 days with only one of the sampled searches having taken an excessive amount of time (over 20 days). There was no evidence to suggest that searches had been fast-tracked on behalf of friends or family, as some of the questions are reliant on other parties (WCC and Land Registry) so it would be difficult to fast-track searches without removing some of the questions.

4.4 **Accuracy of Searches**

4.4.1 Search requests can cover different questions dependant on the type of request. The sample of searches was reviewed and had the correct questions answered. Where further searches had been made or questions required following up, documentation had been retained.

4.4.2 The accuracy of plotting the searches on to the GIS system could not be checked during this audit due to the auditor not having the ability to use the GIS system. Previous auditors have sat with a staff member to go through the searches and check them on GIS but this was not possible for this audit due to the COVID-19 restrictions.

4.4.3 The relevant information for the searches is generally held electronically with historic, hard-copy, search records (Blue Cards) scanned and saved against the relevant address. These can then be checked when a search request is received for that address. All search history documentation was present in the sample tested.

4.5 **Finance**

4.5.1 Legislation states that the fees in relation to land charges should be set so that they cover the costs incurred by the Council. The Assistant Accountant confirmed that the account balances for land charges have ended in a credit balance for the last two financial years. There does not appear to be any reason why the Council cannot use it as an income stream.

4.5.2 Fees are set on an annual basis as part of the fees and charges process. The Assistant Accountant confirmed that the current fees have not changed for a number of years. As the Council is recovering costs incurred there is no need to change them at present. The Manager - Development Services confirmed that the income and costs incurred are reviewed to ensure the function does not end up making a loss.

4.5.3 When the search is entered onto the Acolaid system the fees are automatically calculated depending on the questions selected. The fees are entered into the system parameters by the relevant staff members.

- 4.5.4 Sample testing confirmed the correct fees had been charged in each case. In some cases, a copy of the receipt had been saved with the documentation and this confirmed the correct amount had been paid.
- 4.5.5 Invoices are received on a quarterly basis from Warwickshire County Council (WCC) for the fees incurred when undertaking highways searches. The number of searches is checked against the invoice prior to the payment being made to ensure it is correct.

4.6 **Risk Management**

- 4.6.1 The Development Services risk register does not include risks specifically for land charge services. However, there are a number of generic risks that could impact land charges, including IT failure. The actions to reduce the risks identified are appropriate.

4.7 **Performance Monitoring**

- 4.7.1 A copy of the 2019-20 Service Area Plan for Development Services was reviewed. There is no mention of Land Charges within the service overview or specific measures. Land Charges is only mentioned within the upcoming audits section. This issue was also raised during the last audit, undertaken in March 2018.

Risk

The performance of the Land Charges 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.

- 4.7.2 Performance monitoring reports are produced on a weekly basis by the Systems Business and Improvement Officer. The figures are reported to management and the relevant staff members. The weekly monitoring undertaken looks at the total number of searches received for the week, the number of outstanding searches and the percentage dealt with within the ten-day target. The weekly reports focus on the previous weeks figures and include a rollover of incomplete searches.

5 **Summary & Conclusion**

- 5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls that are currently in place in respect of Local Land Charges 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.

6 **Management Action**

- 6.1 The recommendation above is 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 – August 2020

Report Ref.	Recommendation	Risk	Risk Rating*	Responsible Officer(s)	Management Response	Target Date
4.7.1	The next Service Area Plan for Development Services should include reference to the remaining aspects of the land charges function.	The performance of the Land Charges function may not be appropriately measured.	Low	Head of Service and Development Manager	Agreed	To fit in with the preparation of the next Service plan.

* 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.