



Audit Services Report

**Building Control
2015/16
Report ref: C6/1**

Report

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Contents

Background	page 2
Scope	page 2
Audit Opinion	page 3
Detailed Findings & Action Plan	page 4 onwards

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1 Background

- 1.1 This audit is being undertaken as part of the shared annual audit plan for 2015/16.
- 1.2 As part of this review Audit Services identified the following key controls:
KC1 Procedures are operated in accordance with the Building Act 1984, the organisation's Financial Procedure Rules and the office manual. Fees and charges are in accordance with the Building (Local Authority Charges) Regulations 2010.
KC2 All applications and appeals are properly administered, treated consistently, only processed if complete, have adequate supporting documentation, are dealt with promptly and in line with statutory requirements.
KC3 Income which is not collectable in advance is collected as soon as possible.
KC4 The Regularisation facility is not used to circumvent normal procedures and contraventions are dealt with fairly.
KC5 Demolition applications are treated in accordance with sections 80 and 81 of the Building Act 1984.
- 1.3 The fee income received for the 2015/16 financial year to October is £97.7k; the Building Control Fee Earning external income budgeted figure for 2015/16 being £175k. The fee income received for 2014/15 was £161k; the budgeted figure being £150k.
- 1.4 Internal Auditing is an independent, objective assurance and consulting activity to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of the Building Control service is to ensure that buildings are designed and constructed in accordance with the Building Regulations and associated legislation.

2 Audit Scope

- 2.1 The scope of the audit involved the review of full controls by undertaking walkthrough testing on a sample of 23 applications covering the period from January 2015 to the date of testing and included review of processes and procedures, documentation and interviews with relevant staff. The total number of applications for the review period to date was 330. The sample applications consisted of:
- Building Notices (5)
 - Full Plans (13)
 - Regularisations (2)
 - Demolition Notices (3)

3 Audit Opinion

3.1 A summary of Internal Audit's opinion levels and their definitions is provided below:

Level	Definition
Significant Level of Assurance	The system of internal control is designed to support the Council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good Level of Assurance	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
Partial Level of Assurance	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.
No Level of Assurance	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

3.2 Based on this report's findings, Audit Services have given a Partial Level of Assurance on the Internal Control Framework within the function in line with the new Public Sector Internal Audit Standards.

3.3 Of the 5 key control areas reviewed, listed in paragraph 1.3 above, 2 are being met, KC's 4 and 5, ie the Regularisation facility is not used to circumvent normal procedures and demolition applications are treated in accordance with legislation. The remainder are being partly met, the key risks for which are described in section 4 below. Ten recommendations have been made in total; 2 relating to KC1, 6 to KC2 and 2 to KC3. Five recommendations have been graded as priority one; the remainder at priority 2.

3.4 There is a recognised fault within the Building Control system in use, Fast Control, in that what would appear to be duplicated fee payments are triggered by entry of site inspection details in another field of the system, necessitating additional resources in manual correction but in so doing, also risks human error, examples of which were found during the audit. Although this fault has previously been reported, it has been unable to be resolved. The Auditor was informed that system replacement is being considered, however this current situation is reflected in the audit opinion. Testing has also identified that there are gaps in control with regards to authorisation for decisions such as reductions in fees and the writing off of bad debts.

3.5 Review of the sampled files found them to be in good order. Application forms were fully complete and checks evidenced. Decisions on applications had been made within the statutory timeframe. Fees were traceable to Agresso and the level of outstanding debt low; invoice payment being prompt

4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of management, therefore KCO's with adequate controls are not included.

Recommendations are prioritised as follows:

Priority 1 - These relate to significant gaps in the Internal Control Framework

Priority 2 - These relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls

Priority 3 - These relate to minor issues of non-compliance with controls.

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
KCO1: Procedures are operated in accordance with the Building Act 1984, the organisation's Financial Procedure Rules and the office manual. Fees and charges are in accordance with the Building (Local Authority Charges) Regulations 2010.				
1	The website has not been updated for additional new charges approved for 2015/16 relating to completion certificates	Customer confusion, queries or complaints adding to the workload of staff.	R1:Priority 2 The website should be appropriately updated to reflect the additional charges from 2015/16 for copies of completion certificates Management Comment: Agreed. Website to be updated with the new additional charges from 6 th January 2016.	Senior Building Control Surveyor 01/07/16

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
2	Both the Building Control procedures manual and Building Control Policy documents are over 9 years old and have not been updated.	Duties and responsibilities may be confused or incorrectly carried out	<p>R2: Priority 2 The Building Control Policy and procedure manual documents should be reviewed and updated as necessary Management Comment: Agreed. Both documents to be updated in the next six months (01/07/2016)</p>	Senior Building Control Surveyor 01/07/16
KCO2: All applications and appeals are properly administered, treated consistently, only processed if complete, have adequate supporting documentation and are dealt with promptly and in line with statutory requirements.				
3	Hard copy files of applications containing personal data are held in cabinets which remain open at all times	Data security breach from loss of inadequately protected personal data potentially incurring a fine due to non compliance with the Data Protection Act 1998	<p>R3: Priority 1 Cabinets containing application files should be locked as appropriate Management Comment: Agreed. Arrangements are being made to enable cabinet locking and until such time doors are to be shut every evening by the last member of Building Control staff to leave the building.</p>	Senior Building Control Surveyor 01/02/16

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
4	Testing confirmed that there is a fault within Fast Control triggered when site inspection details are entered onto the system where it appears that the customer has paid twice when a check to the Radius cash receipting system confirms that this is not the case. Manual intervention is consequently required to remove this rogue entry. A replacement for the Fast Control system should be actioned as soon as possible. Reports generated from Fast Control are disseminated to the Strategic Manager who in turn reports to CLT. Based on the above, Audit Services can therefore give limited assurance that the information contained in such reports is 100% accurate	Management reports to CLT may include these rogue entries. Strategic decisions therefore may be based on incorrect information. Staff time is wasted amending these rogue entries.	<p>R4: Priority 1 A replacement for the Fast Control system should be timetabled for implementation as soon as possible Management Comment: Agreed. Replacement Due April 2017</p>	Strategic Manager 01/02/16
5	The officer carrying out reconciliations between payments made and applications received in Fast Control is also able to update the payments screen	A lack of segregation of duties in that the individual could cover up any errors and these would go undetected given no- one else is involved in the process	<p>R5: Priority 1 System restrictions should be put in place so that an officer carrying out the reconciliations check cannot also input/amend the payment screen Management Comment: Extra control to be introduced whereby the Senior Building Control Surveyor will check and sign off draft and final reports. Audit Comment: Alternative procedure considered acceptable as compensatory control</p>	Senior Building Control Surveyor 01/02/16

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
7	<p>Of the sample tested, 20% were found to have fees lower than expected. Although fees can be adjusted to represent complexity and risks involved, there was no evidence on file of any additional Managerial agreement to an adjusted fee. This may be because there is no Building Control Manager post but there also appears to be no escalation process up to the Strategic Manger and hence Audit Services can give limited assurance that the reduced fees have been authorised</p>	<p>Failure to maximise income as staff are able to offer reduced fees without Management involvement Potential for fraud</p>	<p>R6: Priority 1 Decisions on variations from the expected fees should be made only with an additional agreement from Management and evidence of this agreement recorded Management Comment: Agreed. From 4th January 2016 all application fees will be checked by the respective Building Control Officer for the work area. These will then be overviewed by the Senior Building Control Surveyor. This process has managerial monitoring so as not to impact on possibility of losing work to Approved Inspectors.</p>	<p>Senior Building Control Surveyor 01/02/16</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
7	Evidence of disability confirmation with the Authority's Housing Officer was not found on file relating to an application from agents Yorkshire Housing, on behalf of a disabled applicant eligible for fee exemption.	Exemptions may be claimed by persons with no entitlement	<p>R7: Priority 2 Evidence of disability confirmation so as to allow fee exemption should be recorded Management Comment: Agreed. Due to the sensitivity of information contained, all material relating to disability issues is stored electronically. A new form with confirmation of disabled status has already been actioned and introduced between housing officer and Building Control.</p>	Senior Building Control Surveyor 01/07/16

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
8	There is no review and sign off at managerial level of decisions made on applications by surveyors given limited resources.	Applications may be processed fraudulently	<p>R8: Priority 2 Decisions made on applications should be sample checked by Management and review evidenced.</p> <p>Management Comment: Agreed. All Surveyors are long standing Building Control officers with vast experience, as such their decisions are trusted, however a sample check of application approvals will be carried out by the Senior Building Control Surveyor on a monthly basis.</p>	Senior Building Control Surveyor 01/07/16

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
KCO3: Income which is not collectable in advance is collected as soon as possible.				
9	<p>Audit Services reviewed all outstanding debt and found that apart from the issue noted below, recovery action was prompt.</p> <p>There was however an outstanding £300 balance on one 12 month old debt that had not been referred to Legal although an agreed extension date had passed. The Senior Building Control Surveyor had granted an additional extension but this had not been approved by Management.</p>	Cash flow impaired.	<p>R9: Priority 2 A more standardised approach to Legal referral should be adopted and consistently applied.</p> <p>Management Comment: Provision already exists between finance, Building Control and Legal for debt recovery, however any granting of a time period outside the norm, will be agreed between the Senior Building Control Surveyor and the Strategic Manager.</p> <p>Audit Comment Alternative procedure considered acceptable as compensatory control</p>	Senior Building Control Surveyor 01/07/16
10	<p>The writing off of a debt does not involve the senior surveyor. The Technical Manager instructs Finance to write off a debt on advice from the case officer without the Senior Building Control Officer's independent review. It is noted however that write offs are rare.</p>	<p>Failure to maximise income</p> <p>Potential for fraud</p>	<p>R10: Priority 1 Write offs should be agreed by the Senior Building Control surveyor</p> <p>Management Comment: Agreed. The writing off of a debt is to be agreed with the Senior Building Control Surveyor</p>	Senior Building Control Surveyor 01/02/16

The agreed actions will be subject to a follow up review to establish whether they have been implemented.
Any queries or requests for further information regarding this report should be directed to Audit Services on extension 56116.
Audit Services would like to thank the officers involved for their assistance during this audit.