

## **INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 2017**

### **1 Purpose**

- 1.1 To receive the Internal Audit Progress Report of activity undertaken since March 2017.

### **2 Recommendations**

- 2.1 The committee is recommended to note the progress report.

### **3 Supporting Information**

- 3.1 This report provides an update on the progress made against the 2017/18 Internal Audit Plan and includes information on:
- Summary of internal audit reviews completed and in progress
  - Overdue recommendations and follow up work
  - Internal audit resource
- 3.2 The Committee requested that all internal audit reports are presented in full. These are included in Appendix 4.

### **4. Reasons for Recommendations**

- 4.1 Ensuring a proper and effective flow of information to Audit Committee Members enables them to perform their role effectively and is an essential element of the corporate governance arrangements at the Council.

### **5. Resource Implications**

- 5.1 There are no resource implications to report.

Contact Officer: Kate Mulhearn, Corporate Governance Manager 01296 585724

Background papers: none



# **Internal Audit Progress Report**

November 2017





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# 1. Activity and progress

The 2017/18 internal audit plan was approved by the Audit Committee in July 2017. A summary of the plan is included in Appendix 2. We monitor progress against the plan during the year and advise the Audit Committee of any changes.

## Final reports issued since the previous Committee meeting

Name of review	Conclusion*	Date of final report	No of recommendations made*			
			 Critical	 High	 Medium	 Low
Planning & Planning Enforcement	Medium	10 November	-	-	2	3
<i>2016/17 Internal Audit Plan:</i>						
Commercial Property Service Charges	Medium	14 November	-	1	1	2

*See Appendix 1 for the basis for classifying internal audit findings and reports.*

The full reports are attached in Appendix 4 and summarised below:

### Planning & Planning Enforcement

This review assessed the design of controls and their effectiveness with regards to planning applications and planning enforcement including adherence to national and local guidance. Based on the testing performed, we found the processes and controls to be operating effectively and have set out some areas of good practice below. Action is required in some areas to further improve the overall planning and enforcement processes.

The report is classified as Medium Risk with key findings summarised as follows:

- There is no local formal monitoring of comments, compliments and complaints and a process needs to be created (Medium)
- Proactive planning enforcement is not taking place (Medium)
- A formal Member/Officer engagement session needs to be developed including input to the creation of the new planning system (Low)
- Improvements to the oversight of the effectiveness of the Planning Liaison Officer role are needed (Low)
- Pre application advice costs are benchmarked as reasonable but are not fully substantiated (Low)

A number of areas of good practice were noted, including:

- The Quarterly Performance Report issued to the Development Management Committee confirms the 13 week deadline for major applications was met in every month except one for the 12 months to June 2017. Performance for both Minor and Other applications was compliant with Government deadlines to make decisions for the period April to June 2017 and the average for the year also being compliant. We tested the information which feeds into these reports and are content the data reported is sound.
- Through a benchmarking exercise of over 20 Councils we found that the presentation of a formal Quarterly Performance Report to Members via a Planning Committee (or equivalent) is rare. Agenda items are almost without exception only focussed on applications and no other business. The Quarterly Performance Report the Council uses is therefore, good practice and demonstrates openness and transparency with Members and the public.
- The three applications tested were all approved in line with the Council's delegated powers. Through a further sample of 15 cases we confirmed that the Council was compliant with advertising applications, involving statutory consultees and documenting the weighting placed on certain criteria. All of the key processes are held in a process document which was considered reasonable to support legislative compliance.

The Development Management Team has undergone structural change in the last 12 months. AVDC, like other councils across the county, is facing challenges around recruiting planning officers. There are a large number of consultants supporting delivery and current vacancies are for 1 Principal and 4.5 Senior officers.

New planning software is currently being developed with a move from Uniform to a Salesforce platform. This is intended to go live in 2018 and will change how staff, Members and the public interact with the planning process.

### **Commercial Property Service Charges**

Commercial service charges form part of property lease agreements as a means to recover from tenants the cost of maintaining and repairing the building and providing certain services. Our report highlights the need for a full review of service charges and commercial property accounting structures to be undertaken by management.

The report is classified as Medium Risk and key findings are summarised as follows:

- It was found that some service charges are not levied where they should be and examples of costs being applied to service charges incorrectly were identified (High)
- Account codes on the ledger for each property are not sufficiently established to understand service charge costs (Medium)

- There is a lack of robust monitoring of arrangements for tenants at Council sites over certain lease rights such as car park spaces (Low)
- Some minor instances were identified where service charge costs applied were stated as “not applicable” (excluded) cost in contracts with tenants and therefore the Council has applied costs which are in breach of contracts held (Low)

A project has recently begun to create a property asset management database to integrate with the general ledger and a review of commercial property charges will be completed by end of January 2018. Once completed, this should address many of the issues highlighted in the report.

### **2017/18 internal audit plan work in progress**

As at the date of preparing this report the following reviews are in progress:

<i>Name of review</i>	<i>Update on progress</i>
Building Control	Audit scope being developed
Licensing	Audit scope being developed

## ***2. Implementation of agreed audit actions***

We monitor the implementation of actions and recommendations raised by internal audit reviews to ensure that the control weaknesses identified have been satisfactorily addressed. Actions arising from low risk audit findings are followed up by management and reviewed, but not validated by internal audit.

The overall progress and detail of those actions which are considered due is set out in Appendix 3. At the end of November 2017, there were 37 recommendations due of which 23 are still outstanding and have been given a revised date of implementation. New appointments to key positions and post organisational restructure changes have been the main drivers leading to delays in implementation of actions.

## ***3. 2017/18 internal audit resource***

Since the last Audit Committee meeting a contract has been awarded to BDO LLP to provide co-sourced internal audit services for the period 1 October 2017 to 31 March 2021, with an option to extend for a further two years.

# ***Appendix 1: Internal audit opinion and classification definitions***

## **Individual reviews - Basis of classifications**

The overall report classification is determined by allocating points to each of the individual findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification		Points
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

Individual findings are considered against a number of criteria and given a risk rating based on the following:

Finding rating	Assessment rationale
<b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact [<b>quantify if possible = materiality</b>]; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul>
<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact [<b>quantify if possible</b>]; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact [<b>quantify if possible</b>]; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact [<b>quantify if possible</b>]; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>



## Appendix 2: Internal audit plan and progress tracker




The 2017/18 Annual Internal Audit Plan was approved by members of the Audit Committee in July 2017. Progress and changes are reported below.

Review	Description	Status/Comment	Overall Risk Rating
General Ledger	Assurance over control design and operating effectiveness of key financial processes.		
Debtors			
Creditors			
Payroll			
ITGC for TechOne	Review T1 application controls to ensure the data is complete, accurate and valid.		
Budget Management			
Governance & Risk Management	Review of compliance with CIPFA framework.		
Housing Benefits			
Council Tax & Business Rates			
Planning & Planning Enforcement	Processes for applications/appeals, data validation and enforcement.	Complete	Medium
Building Control	Include fire safety checks.		
Licensing	Focus on taxi licensing and safeguarding controls.		
Commercial AVDC Programme Assurance	Focus on structures and processes to monitor and report savings & income commitments.	Complete	Advisory
Aylesbury Vale Estates	Assess governance arrangements for the Council's wholly or partly owned companies.		
Vale Commerce			
Aylesbury Vale Broadband (follow up)		Complete	Advisory
Follow up audit actions	Validation that agreed internal audit actions have been implemented.	Ongoing	
Disabled Facilities Grant	Grant compliance requirements	Complete	N/A

## ***Appendix 3: Overdue audit actions and follow up work***

We monitor the implementation of actions and recommendations raised in internal audit reviews for all critical, high and medium actions to ensure that the control weaknesses identified have been satisfactorily addressed. We report the overall progress and detail of those which are considered due. Actions arising from low risk audit findings are followed up by management and reviewed, but not validated by internal audit.

At the end of November 2017, there were 37 recommendations due of which 23 are still outstanding and have been given a revised date of implementation. New appointments to key positions and post organisational restructure changes have been the main drivers leading to delays in implementation of actions.

<b><i>Name of review</i></b>	<b><i>Agreed actions due</i></b>	<b><i>Outstanding</i></b>			<b><i>Completed actions</i></b>
					
		<b>High</b>	<b>Medium</b>	<b>Low</b>	
Housing Benefits	6	2	2	-	2
Budget Management	4	-	1	3	-
Council Tax and Business Rates	3	-	1	1	1
Fixed Assets	6	-	1	3	2
General Ledger	6	-	2	2	2
Accounts Payable	3	-	-	2	1
Payroll	4	-	-	1	3
Safeguarding	1	-	-	1	-
Treasury Management	4	-	-	1	3
<b>Total</b>	<b>37</b>	<b>2</b>	<b>7</b>	<b>14</b>	<b>14</b>

## Overdue recommendations

<i>Name of review</i>	<i>Action</i>	<i>Finding risk rating</i>	<i>Update</i>	<i>Revised Date</i>
Housing Benefits	<ul style="list-style-type: none"> <li>• The structure of the Customer Relationship Team and the impact this has on supervision, training and team resilience needs to be reviewed as part of the restructure process, and regularly thereafter – also see Finding 3.</li> <li>• A periodic review of training needs should be performed with an action plan set out to implement the training required on a one-off and on-going basis, this includes:               <ul style="list-style-type: none"> <li>o A clear programme of training for new starters</li> <li>o One-off training courses delivered internally or procured from external parties</li> <li>o Approach to regular periodic review of team training needs, drawing on results of quality assessments.</li> </ul> </li> </ul>	High	Good progress has been made. Training was undertaken in April 2017 over a number of days and further training is being organised. Some training around Customer Relationships has already taken place however; there have been delays in recruitment to this area which has led to delays in organising training. The view, which is considered prudent, is that it makes sense to train everyone together once the full complement of staff is in place (post recruitment) to avoid undertaking two large training exercises. Also considering the use of an external consultant for training which will help with the organisation and speed of delivery once staff are in place.	28 February 2018
Housing Benefits	<ul style="list-style-type: none"> <li>• Monthly KPI reports should be produced and reviewed by management</li> <li>• A quarterly a meeting should take place involving the Group Manager, Assistant Director for Customer Fulfilment and with escalation to the Director of Finance as needed</li> <li>• The purpose of this group should be agreed and outcomes of the meeting should be minuted.</li> </ul>	High	<p>This is not yet in place however, discussions around this have begun. The Benefits Team have focussed on ensuring the basics around quality checking are embedded. Now this has been developed, they will be aiming to set up a quarterly meeting covering the areas set out in this recommendation.</p> <p>A new Group Manager was appointed in September 2017 and once they have bedded into the role this will be given greater consideration.</p>	1 February 2018
Housing Benefits	<ul style="list-style-type: none"> <li>• Continue the recently established weekly process of the Duty Officer to follow-up benefit case reminders until such time a new approach is devised</li> </ul>	Medium	Information at Work software was due to be implemented in November 2017 however this has been delayed until January 2018. It has taken greater	1 February 2018

<b>Name of review</b>	<b>Action</b>	<b>Finding risk rating</b>	<b>Update</b>	<b>Revised Date</b>
	<ul style="list-style-type: none"> <li>• To promptly implement the Information at Work software onto Northgate. If delays continue beyond the revised implementation date, the risks need to be assessed and alternative solutions considered.</li> <li>• Monthly review of misallocated Salesforce emails should take place to identify any unallocated emails.</li> </ul>		time to set up users as requirements are for data training and checks to be undertaken before access is given.	
Housing Benefits	<ul style="list-style-type: none"> <li>• Understand the current position on overpayments and whether sufficient resource is in place to reconcile the two systems data and then take appropriate action to improve the control environment. These issues are being addressed through the Corporate Debt Project but need to be overseen and actioned by the Housing Benefit Team.</li> <li>• As part of Quality Checks undertaken, the Council should review whether Case Officers are flagging overpayment cases effectively and taking appropriate action.</li> </ul>	Medium	<p>The Council recognise that this is a significant project. At a meeting on 4 July 2017 to discuss this area it was clear that additional work was needed; the meeting discussed:</p> <ul style="list-style-type: none"> <li>• Filling additional posts to clear debts currently held on Tech1</li> <li>• Discussing how Tech1 can be better used to manage overpayment debt</li> <li>• Discussing how the debtors module on Northgate could be implemented.</li> </ul> <p>The Accounts Receivable Report dated 2017 supersedes this finding. Progress on the “debt project” is ongoing with oversight from Finance Steering Group.</p>	31 March 2018
Budget Management	<ul style="list-style-type: none"> <li>• In the Quarterly Digest, each portfolio area should be expanded to include an overall summary of the financial position in that area.</li> <li>• As part of the ongoing Business Intelligence project, plans should be developed to move towards integrated reporting, for example: <ul style="list-style-type: none"> <li>o The extension of non-financial information to</li> </ul> </li> </ul>	Medium	Providing timely and accurate financial information to Members and Officers is an important part of ensuring an adequate financial management environment. This recommendation recognises that the information produced needs to be more timely and provide not financial information. Recognising the time conflict between providing corporate	31 May 2018

<b>Name of review</b>	<b>Action</b>	<b>Finding risk rating</b>	<b>Update</b>	<b>Revised Date</b>
	<p>support the Quarterly Digest</p> <ul style="list-style-type: none"> <li>o The incorporation of corporate key performance indicators</li> <li>o The incorporation of corporate / portfolio risks.</li> <li>• Quarterly Digest must be issued within 6 weeks of the quarter ending and promptly be issued to Members for scrutiny. Ideally Members scrutiny occurs within 8 weeks of the quarter ending.</li> </ul>		<p>accounting/reporting and preparing management information in appropriate timeframes has prompted a further review of the Strategic Finance structure, resulting in the creation of the additional post of Corporate Accountant. This role is responsible for preparing the Quarterly Digest, drawing on inputs from the Finance Business Partners, enabling the Quarterly Digest to be compiled more promptly after the end of each quarter.</p> <p>As a separate process, a high level corporate dashboard has been produced as an output from the Business Intelligence project. Meetings have been held with all ADs and Directors to discuss and agree reporting requirements. The Sector level Dashboard is being piloted in Customer Fulfilment, which is planned to be in place by the end of September.</p> <p>Separate work is being undertaken with HR, Connected Knowledge and Strategy and Partnership team. Corporate risks uploaded to BI system and corporate risk reports produced.</p> <p>Once the various elements of Corporate reporting have been developed, further action will be required to integrate the various outputs.</p>	
Council Tax and Business Rates	Ensure that appropriate evidence is obtained before applying discounts. Procedures should include guidance on what type of evidence to obtain, sample checks and the need for follow up when circumstances are expected to change.	Medium	<p>Application forms for all our discounts and exceptions have been put on our website, customers are directed to use these and the appropriate evidence is requested.</p> <p>A timetable for review of the various discounts and</p>	28 February 2018

<b>Name of review</b>	<b>Action</b>	<b>Finding risk rating</b>	<b>Update</b>	<b>Revised Date</b>
	Northgate has a feature that enables an event date to be set. This should be utilised to prompt the Council Tax team to follow up on accounts to ensure that discounts are still applicable.		exemptions, the Single Persons Discount is flagged up by the NFI data, last week the data was dropped into the NFI platform so Council expect the match to take place very soon.	
Fixed Assets	<p>When the fixed asset register is updated annually in April the following steps should be taken:</p> <ul style="list-style-type: none"> <li>• Sample checks should be conducted to verify the correct calculation of depreciation in line with the Council's Accounting Policy</li> <li>• A review of the draft fixed asset register should be performed by the Finance Manager to identify any anomalies such as those identified as part of this review and these should then be investigated and corrected</li> <li>• The above tasks should be recorded on a template to identify that one member of the Finance Team conducted the sample checks and another member of the Finance Team (i.e. the Finance Manager) reviewed these checks. The template should be signed and dated by the two separate members of the Finance Team.</li> </ul>	Medium	<p>The steps outlined were not followed in terms of documenting the checks undertaken on a template.</p> <p>This will be discussed with the newly appointed Strategic Finance Manager with appropriate action taken for the 31 March 2018 Balance Sheet.</p>	31 March 2018
General Ledger	<p>The Finance Team need to:</p> <ul style="list-style-type: none"> <li>• Revisit each individual area process notes and decide whether a reconciliation is required</li> <li>• Issue a standard reconciliation document to each area where a reconciliation is required – see appendix 3 as an example</li> </ul>	Medium	Work on delivering this regular and full reconciliation of all Council sub-systems to the Council finance system is in process, but further work is required to complete this. A number of factors are relevant to current progress:	31 March 2018

<b>Name of review</b>	<b>Action</b>	<b>Finding risk rating</b>	<b>Update</b>	<b>Revised Date</b>
	<ul style="list-style-type: none"> <li>• Establish a central shared electronic document which records the expected frequency for each reconciliation and a record of when all reconciliations took place. This central record should also note the balance of any unreconciled items along with an explanation</li> <li>• Reissue the revised system notes to areas and ensure these are agreed with the key lead from the area; a central log should be held for when the area should be revisited to review the process notes, at least annually.</li> </ul>		<p>Much progress has been made. A specialist consultant has undertaken process mapping to agree key reconciliations, Further work is required to finalise the documentation and embed processes.</p> <p>Oversight by Financial Steering Group.</p>	
General Ledger	<p>As part of implementing the actions agreed in Finding 1, all systems including Uniform and Waste should be included to ensure appropriate reconciliation is performed. Thereafter escalation should take place as needed.</p> <p>iWorld reconciliations</p> <p>a) Reconciliations must occur on a monthly basis</p> <p>b) Reconciliations not occurring on a monthly basis and significant unreconciled balances must be escalated to the Strategic Finance Manager.</p>	Medium	As per above.	31 March 2018

## ***Appendix 4: Internal audit reports***

The Committee requested to see all internal audit reports in full. Those completed since the last meeting are attached below.

1. Planning & Planning Enforcement
2. Commercial Property Service Charges





## Internal Audit Report 2017/18

# Planning and Planning Enforcement

November 2017



# Contents

<b>1. Executive summary</b>	<b>2</b>	This report has been prepared only for Aylesbury Vale District Council in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation.
<b>2. Background and Scope</b>	<b>5</b>	
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## Distribution List

For action	Henry Allmand, Group Manager - Planning
	Lindsey Vallis, Group Manager – Regulatory Services
For information	Jeff Membery, Assistant Director, Customer Fulfilment
	Tracey Aldworth, Director
	Audit Committee

# 1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
Medium risk (9 points)	Control design	-	-	1	3
	Operating effectiveness	-	-	1	-
	<b>Total</b>	-	-	<b>2</b>	<b>3</b>

\*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

## Summary of findings

This report is classified as Medium Risk. We have issued two medium and three low risk findings.

The Development Management Team has undergone structural change in the last 12 months. This has resulted in a Group Manager who oversees 3 Team Managers, 2 Principals, 2 Senior Officers, 12 Junior Officers and 14 Consultants. Nationally, there are challenges around recruiting planning officers, current vacancies are 1 Principal and 4.5 Seniors.

New planning software is currently being developed with a move from Uniform to a Salesforce platform. This is intended to go live in 2018 and will change how staff, Members and the public interact with the planning process.

Based on the testing performed, we found the processes and controls to be operating effectively and have set out some areas of good practice below. Action is required in some areas to further improve the overall planning and enforcement processes.

We found that there are insufficient arrangements in place to analyse trends and lessons learned from complaints received. Furthermore, greater engagement with other stakeholders such as Members and Parish Councils should be supported, for example involving Members in demo sessions for the new

planning software and assessing the effectiveness of the new role of Planning Liaison Officer. We do recognise significant work has started with regards to engagement with stakeholders via workshops and invitations to new system specification meetings.

With regards to planning enforcement, whilst a methodology for this was created in November 2016, thus far no proactive enforcement has taken place and this needs to be addressed.

### **Summary of findings**

- There is no local formal monitoring of comments, compliments and complaints and a process needs to be created (Finding 1 – Medium)
- Proactive planning enforcement is not taking place (Finding 2 – Medium)
- A formal Member/Officer engagement session needs to be developed including input to the creation of the new planning system (Finding 3 – Low)
- Improvements to the oversight of the effectiveness of the Planning Liaison Officer role are needed (Finding 4 – Low)
- Pre application advice costs are not fully substantiated and this needs to be created as part of the upcoming Project Brief already started (Finding 5 – Low).

### **Good practice noted**

- The Quarterly Performance Report issued to the Development Management Committee confirms the 13 week deadline for major applications was met in every month except one for the 12 months to June 2017. Performance on Minor and Other applications was also positive with compliance on Government deadlines to make decisions for both being met for the period April to June 2017 and the average for the year also being compliant and therefore the direction of travel is positive. We tested the information which feeds into these reports and are content the data reported is sound
- Through a benchmarking exercise of over 20 Councils we found that the presentation of a formal Quarterly Performance Report to Members via a Planning Committee (or equivalent) is rare. Agenda items are almost without exception only focussed on applications and no other business – therefore, the Quarterly Performance Report the Council uses is good practice and demonstrates openness and transparency with Members and the public
- The three applications tested were all approved in line with the Council's delegated powers. Through a further sample of 15 cases we confirmed that the Council were compliant with advertising applications, involving statutory consultees and documenting the weighting placed on certain criteria. All of the key processes are also held in a process document which was considered reasonable to support legislative compliance.

### *Management comments*

We welcome the audit report and the opportunity to look in detail at our services on the back of a significant restructure. We support the findings as they are in line with projects that are already under way to improve our service. For example, the built environment module in Salesforce (replacement of Uniform) is expected to provide significant improvement for Officers, Members and Consultees in their engagement with the Planning Service. We absolutely agree that the opportunity to engage with Members and Parishes around the creation of the new system is fundamental and steps are underway to set this up.

As the report recognises we have a large number of Consultants supporting our delivery currently and it is our intention to reduce this reliance over time and by the end of the year we intend to be down to single figures for Consultants in line with Corporate Policy.

While the Parish Liaison Officer role is in its infancy and we are still learning about how this role can best be utilised we believe this introduction is a positive step to improve communication and transparency for the Parishes.

We are reviewing our costs as a service and pre-application advice is within scope of this cost review but we should note that the costs we are currently charging is considered reasonable by the Internal Audit benchmarking exercise.

We accept that there are current high volumes of enforcement complaints which mean that our focus has been reactive rather than proactive. It would be beneficial to put in place steps to address this and an action plan will be developed to improve this.

## 2. *Background and Scope*

### *Background*

Most new buildings or major changes to existing buildings or the local environment require planning permission. The Aylesbury Vale District Council (the Council) is responsible for deciding whether a development, anything from an extension on a house to a new shopping centre, should go ahead. Planning Policy is supported by legislation; this mainly takes the form of Acts of Parliament and Statutory Instruments. Planning authorities appoint planning officers to assist with assessing planning applications. Most minor and uncontroversial planning applications, around 90% received by most local planning authorities, will be decided through delegated decision-taking powers, which mean they are dealt with by local planning authority officers. Larger and more controversial developments are decided by the Development Management Committee, informed by officers' recommendations. The Council also has a Strategic Development Management Committee.

The purpose of this audit is to assess and review the design of controls and their effectiveness with regards to planning applications and planning enforcement including controls around adherence to national/local guidance, consistent application and whether the costs charged can be easily and clearly attributed to applications.

### *Scope*

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- Attendance at the 25 September 2017 Development Management Committee
- A sample of 5 complaints, 5 pre-planning applications, 3 planning applications including an additional sample of 15 cases to check compliance with delegated approval and consultation legislation
- Review of process documents in place including planning enforcement and the role of Parish Liaison Officers.

This does not represent a comprehensive list of tests conducted.

### 3. Detailed findings and action plan

#### 1. There is no local formal monitoring of comments, compliments and complaints– Control Design

Finding		
<p>There is an established comments, compliments and complaints system at the Council. These are routed into a central system and then passed onto the Planning Team via a Liaison Officer who oversees many regulatory services – the key performance targets are to issue acknowledgment letters within 5 working days and provide formal responses to complainants within 15 working days from the acknowledgment letter. We picked a sample of 5 cases over the period April to September 2017 and found:</p> <ul style="list-style-type: none"> <li>• In 1 case the formal response was sent after 18 days. Through further investigation of formal responses it was found that there were many other cases where the formal response time was not met and therefore this is not considered a one-off</li> <li>• In the same case, the complainant was not informed that the response date would be later than the original 15 working days set out in the acknowledgement letter and again this was not considered a one-off.</li> </ul> <p>There is no formal management oversight on comments, compliments or complaints with regards to planning i.e. number of cases and trend analysis, lessons learned from feedback received or monitoring of performance indicators for issuing formal responses in time. It should be noted that due to the timing of the review that the samples tested were selected when the Council was undergoing significant change; from discussion and high level review of cases after this period, improvement has been made and is expected to continue.</p>		
Risks / Implications		
Without formal management oversight of comments, compliments and complaints, lessons learned may not be identified and acted upon		
Finding rating	Action Plan	
Medium	a) An internal report should be produced that as a minimum reviews the number of cases received (total/percentage) and	<i>Responsible person / title</i> Henry Allmand, Group Manager - Planning

	performance against letter responses on a quarterly basis.	<i>Target date</i>
	b) The internal process should also identify lessons learned from the types of feedback received and set actions to change processes – this should be documented.	31 January 2018



## 2. Proactive planning enforcement is not taking place – Operating Effectiveness

### Finding

The Council created a Planning Enforcement plan in November 2016 and within this a section sets out the methodology and approach for how proactive planning enforcement will be undertaken. This includes steps such as: monitoring and compliance with section 106 agreements, where significant works to listed buildings are involved, monitoring discharge of conditions and where there has been a history of non-compliance.

Whilst the Planning Enforcement Plan is in use, so far no proactive enforcement has been undertaken. We concluded in discussion with Officers:

- Due to significant reorganisation that took place at the Council since the Planning Enforcement Plan was put into place, ambitions over proactive enforcement were not realised
- The Enforcement Team have been working through a backlog of cases. These have been substantially cleared and now discussion and action can be undertaken on how to make proactive enforcement a reality.

It was also identified that there is currently no monitoring of planning enforcement activity in terms of number of reactive/proactive cases, when the case was notified, investigated and closed. It is recognised enforcement cases can be complex but oversight over timeliness and lessons learned is required.

### Risks / Implications

Without undertaking proactive enforcement the Council are not maximising the use of staff time, nor reducing the case load of future enforcement or identifying breaches in work subject to planning conditions

### Finding rating

### Action Plan

Medium	a) Proactive planning enforcement needs to be undertaken per the Planning Enforcement Plan. Formal reporting to the Group Manager/Assistant Director on a quarterly basis is needed to assess the effectiveness with action taken thereafter  b) Oversight on statistics covering, as a minimum, the number of cases/timing and lessons learned on at least a six-month basis.	<i>Responsible person / title</i>
		Lindsey Vallis, Group Manager – Regulatory Services
		<i>Target date</i>
		31 March 2018 – first quarterly report completed

### 3. Member/Officer engagement sessions– Control Design

#### Finding

Through a review of the planning system and discussion with Members we identified a number of Member frustrations either with the planning systems or processes:

- There can be difficulties using the 'map' system leading to difficulties identifying the actual site where the planning application applies
- Tree Preservation Orders cannot be easily identified on the 'map' system with associated details such as number and type
- The 'Track' system sends out notification of updates when nothing has been added.

Other non-system comments were identified as follows:

- Planning applications cannot be identified via a search on the system especially where there is not a post-code. We understand that a post-code cannot always be assigned to an account especially where it relates to an open area of land
- Planning application information is posted via Royal Mail which is often bulky and would be more conveniently received electronically if the option was available
- Members raised questions over the processes followed, such as, "*consultation dates, are responded to, however residual frustrations are not closed off*".

We recognise that Officers have already engaged with Members, for example, by holding a discussion with Cabinet to talk about the new system and provide a planning update, set up workshops about the new system, and will be inviting Parish Council representatives to be involved with the specification for the new system.

A formal Member/Officer engagement session needs to be developed including input to creation of new system. It should be noted that the Council will need to separate out, and reach the right balance, with limited resources, between, what is legislatively required and what are Member preferences.

#### Risks / Implications

Insufficient action on system frustrations and Member feedback lead to strained relationships and suboptimal use of everyone's time.  
Reputational damage.

<i>Finding rating</i>	<i>Action Plan</i>	
Low	a) Members of the Council are invited to demo sessions of the new planning system. Attempts are made to implement feedback and findings are built into solutions for the new software	<i>Responsible person / title</i>
		Henry Allmand, Group Manager - Planning
	b) Twice yearly Member/Officer engagement sessions are held where concerns regarding process or systems are discussed openly with jointly agreed actions made.	<i>Target date</i>
		a) 31 March 2018 b) 31 May 2018 – to have arranged engagement sessions and for 1 to have been undertaken

#### 4. Improvements to the oversight of the effectiveness of the Planning Liaison Officer role– Control Design

##### Finding

The Council invested in creating the role of Planning Liaison Officer (PLO) in August 2017. Their role is to deal with key concerns of a Parish Council and develop relationships with them in order to support the process through to decision on a planning application. This role is new and therefore a full assessment of the effectiveness cannot be judged, however early conclusions are:

- There needs to be clear expectations set with Parish Councils and Members of Aylesbury Vale District Council of the purpose of the PLO role. The PLOs are not planning experts and are there to administer queries through a central email inbox and ensure they are monitored and filtered to the right staff to provide a response
- There are no procedures set up yet to monitor the effectiveness of the PLO role in terms of: how many cases are dealt with on a weekly basis or feedback from Parish Councils and others on whether relationships have improved since the role was created.

It should be noted that the Council had created 3 PLO roles however through the recruitment process only one suitable applicant was recruited. However, since the new recruit started it is considered that 1 PLO may be sufficient and this is being monitored.

##### Risks / Implications

If the PLO role is ineffective it could have a negative impact on the relationship with Parish Councils leading to delays/incorrect decisions.

##### Finding rating

##### Action Plan

Low	a) The email traffic to the inbox needs to be monitored to assess the level of cases coming in. Ideally these would also be classified into type. Appropriate action based on the analysis should then be taken	<i>Responsible person / title</i> Henry Allmand, Group Manager - Planning
	b) Send all Parish Councils a survey to assess the effectiveness of the PLO with clear actions set based on the results.	<i>Target date</i> a) 31 January 2018 b) 31 March 2018

**5. Pre application advice costs are not fully substantiated and need to be created – Control Design**

**Finding**

The Council introduced new pre application charges from 1 April 2016 to cover the cost of providing this service. The fees and charges for these services are available on the Council website.

Supporting these figures are details of the hours per activity and hourly charge out rates. We tested a sample of 5 and found that the rates charged agreed to those set out on the Council website and to the internal calculations the Council has set. We compared the internal hourly costs applied by AVDC with 3 other councils and found those applied by AVDC fell within the lower and upper ranges and therefore could be considered reasonable.

However, there is currently no detail held by the Council that substantiates the hourly costs applied and this needs to be developed. Management recognise this and has created a Project Brief on pre application projects; this is at the early stages and the aim is to refine hourly charges and substantiate how the costs are built up.

**Risks / Implications**

The Council applies unacceptable costs to the hourly charges for pre applications leading to recovering profit and not only costs. Allowable costs may not be fully recovered.

<i>Finding rating</i>	<i>Action Plan</i>
Low	<p>a) Pre application costs need to be substantiated to set out how hourly costs have been calculated and specifically setting out the recovery of any administration costs</p> <p><i>Responsible person / title</i> Henry Allmand, Group Manager - Planning</p>
	<p>b) Pre application costs need to also cover the use of consultants (temporary staff) specifically identifying and applying their costs.</p> <p><i>Target date</i> 31 March 2018</p>

## Appendix 1. Finding ratings and basis of classification

### Report classifications

The overall report classification is determined by allocating points to each of the individual findings included in the report.

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Overall report classification		Points
●	Critical risk	40 points and over
●	High risk	16– 39 points
●	Medium risk	7– 15 points
●	Low risk	6 points or less

### Individual finding ratings

Finding rating	Assessment rationale
<b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact [quantify if possible = materiality]; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul>
<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

## Appendix 2. Terms of Reference

The key risks agreed in the Terms of Reference are set out below. Each finding in the report is linked to a key risk from the Terms of Reference.

Sub-process	Risks	Objectives
Pre-application advice	Stakeholders are inadequately engaged and requests are not responded to promptly	<ul style="list-style-type: none"> <li>Pre-application advice request are responded to appropriately</li> <li>Required stakeholders are engaged and appropriate consultations take place, in pre-application discussions, including members</li> </ul>
Processing applications	Records, including rationale and evidence to support decisions made by the Council, are incomplete or inaccurate	<ul style="list-style-type: none"> <li>Applications are received and reviewed in a timely manner within agreed timescales</li> <li>Evidence is recorded in the assessments of each case in line with legislation</li> <li>Documentation is made publicly available in line with rules</li> </ul>
Discharge of conditions	Discharge of conditions are not followed up resulting in invalid completion of planning applications	<ul style="list-style-type: none"> <li>Processes are in place and appropriate checks are preformed to ensure that all the conditions attached to a planning decision are complied with</li> </ul>
Legislation and planning policy	Breach of legislation resulting in reputational and financial loss	<ul style="list-style-type: none"> <li>Documented planning procedures are up to date and consistent with prevailing legislation</li> <li>Local planning policy is in place and operational decisions made in compliance with this</li> </ul>
Roles and responsibilities	Roles and responsibilities, including delegated authorities, are not clearly defined, understood and embedded into processes	<ul style="list-style-type: none"> <li>Segregation of duties in process and decision making are clear and followed</li> <li>Applications are reviewed and approved by appropriate</li> <li>Staffing capacity and skill set is sufficient to meet the objectives of the service</li> </ul>
Stakeholder Engagement	Arrangements are inadequate to liaise effectively with parish councils	<ul style="list-style-type: none"> <li>Officers are assigned with clear remits to liaise with parish councils</li> <li>Requests from these councils are identified and responded to</li> </ul>



		<p>effectively and promptly</p> <ul style="list-style-type: none"> <li>• Key challenges around training and communication between the parties are managed.</li> </ul>
Management information	Management information is not reported, available or assessed to support the identification of inappropriate activity	<ul style="list-style-type: none"> <li>• Performance of planning activities is captured and reported appropriately with relevant action taken with themes identified</li> <li>• Statutory reporting data is validated and reported timely.</li> </ul>
Complaints & appeals	Complaints and appeals are not identified, managed and/or communicated appropriately	<ul style="list-style-type: none"> <li>• Complaints are acknowledged within 3 days and appropriate progress communicated to applicants</li> <li>• Investigations are undertaken, evidenced and outcomes communicated to applicants</li> <li>• Feedback from complainants is received to assess the effectiveness of the process.</li> </ul>
Discretionary income	Income charged for discretionary services are not costed/priced sufficiently to adhere to cost recovery principles	<ul style="list-style-type: none"> <li>• Costs can be attributed to individual discretionary services with assumptions documented</li> <li>• Any income over and above costs attributed can be easily identified.</li> </ul>
Planning enforcement	Planning enforcement is not targeted, appropriate and effective	<ul style="list-style-type: none"> <li>• Processes are effective to address the volume of enforcement queries received and respond appropriately</li> <li>• Planning enforcement is targeted to areas of known risk</li> <li>• Enforcement activity is evidenced and complies with legislation.</li> </ul>



## Internal Audit Report 2016/17

# Commercial Property Service Charges

November 2017



# Contents

<b>1. Executive summary</b>	<b>2</b>	This report has been prepared only for Aylesbury Vale District Council in accordance with the agreed terms of reference. The findings should not be relied upon by any other organisation.
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<b>3. Detailed findings and action plan</b>	<b>5</b>	
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## Distribution List

For action	Teresa Lane – Assistant Director Commercial Property and Regeneration
	Peter Beer – Commercial Property Manager
	Denise Martin – Property and Estates Manager
For information	Andrew Small – Director of Finance
	Audit Committee

# 1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
Medium risk (15 points)	Control design	-	1	-	1
	Operating effectiveness	-	-	1	1
	<b>Total</b>	-	<b>1</b>	<b>1</b>	<b>2</b>

\*We only report by exception, which means that we only raise a finding / recommendation when we identify a potential weakness in the design or operating effectiveness of control that could put the objectives of the service at risk. The definition of finding ratings is set out in Appendix 1.

## Summary of findings

This report is classified as Medium Risk. We have issued one high, one medium and two low risk findings.

This review highlights the need for a full review of service charges and commercial property accounting structures. A project has recently begun to create a module within the general ledger to develop this and a full review of commercial property charges will be completed by management by the end of January 2018.

Looking ahead, the Council has reorganised its main offices, The Gateway, to free up more space to rent out. Therefore the total number of tenants and total value of service charges levied will increase. The Council needs to action the changes recommended otherwise the risk level assigned in this report will increase.

### Summary of findings

- Some service charges are not levied where they should be and examples of costs applied to service charges incorrectly were identified (Finding 1 – High)

- Account codes on the ledger for each property are not sufficiently established to understand service charge costs (Finding 2 – Medium)
- There is a lack of robust monitoring of arrangements for tenants at Council sites over certain lease rights such as car park spaces (Finding 3 – Low)
- Some minor instances were identified where service charge costs applied were stated as “not applicable” (excluded) cost in contracts with tenants and therefore the Council has applied costs which are in breach of contracts held (Finding 4 – Low).

**Good practice noted**

- There is an annual reconciliation process in place which ensures that the Excel Workbook of service charge calculations agrees back to ledger transaction listings and invoices issued. The Excel Workbook operates effectively and our testing did not identify any incorrectly calculated formulas or data error.
- The Council adheres to its Financial Instructions when identifying organisations to provide the services applicable, demonstrating value for money.

*Management comments*

Having reviewed the recommendations of this audit, I agree with the summary of findings. A project is now underway to review the service charge accounts and budgets as detailed in the actions set out in this report. Once this project has completed it will provide a solid basis for the council's service charge accounting going forward. Whilst the dates set out in the action plan should be achievable, there may need to be some flex dependent upon the scale of the problems unearthed.

## ***2. Background and Scope***

### *Background*

Commercial service charges form part of the lease agreements as a means to recover from tenants the cost of maintaining and repairing the building and providing certain services. Estimated bills are based on several factors depending on the particular service and the most up to date information the Council has on the expected costs.

The Council should be in a position to validate to tenants the charges applied and ensure it does not levy unjustified amounts.

The purpose of this audit is to assess and review the design of controls and their effectiveness with regards to commercial property service charges across the Council's property portfolio to assess adherence to national/local guidance, consistent application and whether the costs charged can be easily and clearly attributed to the charges based on sound assumptions. We will also consider whether the Council is achieving value for money from the delivery method of the services offered.

### *Scope*

The scope covered the key risks set out in the Terms of Reference (see Appendix 2). Our testing included:

- Reviewing the calculations in the Excel Workbooks for consistency, accuracy and completeness
- Reviewing the methodology and apportionment of service charges in line with guidance and contracts agreed
- Assessing the reconciliation and approval processes and reviewing lease documents, contract conditions and assumptions to service charges applied
- Testing a sample of 15 invoices to verify agreement to the Excel Workbooks.

This does not represent a comprehensive list of tests conducted.

### 3. Detailed findings and action plan

#### 1. Service charges are not all substantiated– Control design

##### Finding

When evaluating the service charge applied to the tenants of Council owned properties the following issues were identified:

- For some properties where charges should be applied to a number of different tenants, not all tenants have been included in the apportionment of costs and therefore no service charge has been levied
- Furthermore, the proportion of the split in these properties found an instance where 100% had been charged to one tenant
- For a larger value site where service charges are applied it was found that whilst the Council instructed an Independent Surveyor, this advice was superseded by an internal assessment
- The allocation of office management costs at one site includes salary costs of Council employed facility managers, receptionists and post room staff. However, these individuals do not solely work on activities relating to this site and therefore it would be inappropriate to apportion their total costs to the annual service charge. For example:
  - The facility managers also support operations on other Council sites
  - The reception staff take AVDC and general queries which is time that is not applicable to the tenant and therefore these costs should not be passed on
  - The post room staff also support the activities of the Council's companies (Vale Commerce).
- The RICS Service Charges Code states that applying a *"Percentage is no longer appropriate, and is considered to be a disincentive to the delivery of value for money. The management fee should therefore be a fixed fee subject to annual review or indexation"*. The Council are currently charging a percentage of total costs without justification behind how this is derived therefore this is not in line with the RICS Service Charge Code.

##### Risks / Implications

Costs may be under or over charged to tenants.

Any challenge made to assumptions if not substantiated, could result in financial repayment, loss of staff time and reputational damage.

Finding rating	Action Plan	
High	a) A full review of all service charges is required. Service charges relating to current/future tenants premises must be justified and proportions set and agreed. These must be agreed by an independent surveyors report for larger sites	<i>Responsible person / title</i> Teresa Lane - Assistant Director Commercial Property and Regeneration
	b) Where proportions are agreed, the Council needs to retain the methodology as to how it was determined and this should be reviewed annually	<i>Target date</i> a – d) 31 January 2018
	c) Service charges which may be identified as being passed inappropriately need to be reviewed and assessed to determine how any potential past over charging and future adjustments are communicated to tenants and dealt with.	
	d) The Council should whether consider an ‘admin fee’ should be applied, this should be a fixed fee and the Council need to retain a breakdown of how the fixed fee has been calculated i.e. a breakdown of direct costs or evidence for how proportions of staff time are clearly linked to administration activities.	



## 2. Inadequate accounting structures – Control design

### Finding

The current functionality on the general ledger has not been constructed to provide sufficient level of detail on service charges and service charge types for each property. Therefore the Council cannot identify and analyse sufficiently service charges applied via their general ledger system.

A project is underway to build a module in the general ledger system with an objective around creating coding of service charges in more detail.

### Risks / Implications

Contractual compliance cannot be easily identified and Council held data is not maximised to generate financial benefits.

### Finding rating

### Action Plan

Medium

There needs to be a separate ledger code created for each property where service charges are applied. There should be sub-codes beneath this which sets out each type of service charge for each property.

### Responsible person / title

Denise Martin – Property and Estates Manager

### Target date

28 February 2018

### 3. Lack of monitoring of arrangements for tenants at Council sites – Operating effectiveness

<i>Finding</i>		
<p>Tenants at Council sites are entitled to certain privileges of the site to reflect their usage. For example, one tenant receives 15 car parking spaces at The Gateway (a right in the lease). However, this is not monitored by the Council to assess whether the allocation is reasonable. No action is taken in the event the tenant regularly exceeds this level.</p> <p>The car parking spaces are worth c. £400-£600 a year and therefore it is beneficial to review this and ensure that the correct allocations are given to tenants or any spaces/values are re-negotiated.</p>		
<i>Risks / Implications</i>		
<p>The Council does not receive the correct financial compensation for the value of the site that tenants utilise resulting in financial loss.</p>		
<i>Finding rating</i>	<i>Action Plan</i>	
Low	a) Identify all rights contained in the lease, such as car parking spaces to tenants, and record centrally	<i>Responsible person / title</i>
		Denise Martin – Property and Estates Manager
	b) These should then be reviewed on an at least annual basis to assess if allocations are reasonable	<i>Target date</i>
	c) Establish a monitoring system for these services to ensure that allocated spaces provided are correct or escalate any levels which are exceeded to the Assistant Director for review.	31 January 2018

#### 4. Some “not applicable costs” were included in service charges – Control design

<i>Finding</i>		
<p>We assessed the contract conditions to ensure they were specific in terms of the service charges that can/cannot be applied.</p> <p>Overall the costs applied were allowable however, some minor exceptions were identified. For example, in one lease document it states that ‘no charges can be applied for security or CCTV related activity’. However, we identified that a monthly charge totalling £120 over the year was applied to the service charge costs.</p>		
<i>Risks / Implications</i>		
<p>Any challenge made to allocated costs if not contractually allowed, could result in financial repayment, legal costs and reputational damage.</p>		
<i>Finding rating</i>	<i>Action Plan</i>	
Low	<p>Before the end of every financial year, a review of transactions allocated should be undertaken against the allowable/non-allowable costs in each lease. Any changes should then be reflected in any final charges for the year.</p>	<i>Responsible person / title</i>
		Denise Martin – Property and Estates Manager
		<i>Target date</i>
		31 March 2018

## Appendix 1. Finding ratings and basis of classification

### Report classifications

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<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact [quantify if possible]; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

## Appendix 2. Terms of Reference

The key risks agreed in the Terms of Reference are set out below. Each finding in the report is linked to a key risk from the Terms of Reference.

Sub-process	Risks	Objectives
<b>Approval</b>	Fees and charges levied are not justified by sound assumptions and are incorrectly calculated. Fees charged cannot be easily attributable to costs with a clear and transparent and consistent approach applied. Costs may not adequately be covered.	<ul style="list-style-type: none"> <li>Approval by management and/or Committee has been obtained at sufficient intervals</li> </ul>
<b>Fees and charges establishment</b>		<ul style="list-style-type: none"> <li>There is clear justification behind each assumption with an evidenced based approach as to how the level of fees and charges was reached</li> <li>Application of Service Charges are reasonable and sound i.e. use of charge per square foot etc.</li> <li>The level set is in line with the objectives and remit of the Council's powers</li> </ul>
<b>Billing</b>	Fees and charges are levied incorrectly. Damage to relationship with tenant.	<ul style="list-style-type: none"> <li>Bills raised are accurate and complete and agree to Council agreed rates</li> </ul>
<b>Value for Money</b>	Delivery method of the service is not optimal, does not demonstrate value for money and does not cover all associated costs	<ul style="list-style-type: none"> <li>Council deliver services demonstrating value for money and charges cover associated costs to mitigate losses</li> <li>Council is adjusting charges as necessary where charges do not need to be passed onto tenants</li> </ul>
<b>Governance</b>	Reporting and management information for fees and charges is insufficient and ineffective to support decision making.	<ul style="list-style-type: none"> <li>Reports on activity are produced which are effective and issued to the correct individuals/groups for scrutiny at sufficient intervals to support decision making</li> </ul>
<b>Policies and Procedures</b>	There are inadequate policies and procedures to ensure consistent and correct application of Service Charges	<ul style="list-style-type: none"> <li>The Council approach is set out and understood by those who apply Service Charges to ensure compliance with national/local guidance</li> </ul>