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AYLESBURY VALE DISTRICT COUNCIL

Democratic Services

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21 March 2018

AUDIT COMMITTEE

A meeting of the **Audit Committee** will be held at **6.30 pm** on **Monday 26 March 2018** in **The Olympic Room, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

Contact Officer for meeting arrangements: Craig Saunders; csaunders@aylesburyvaledc.gov.uk;

Membership: Councillors: P Irwin (Vice-Chairman), C Adams, M Collins, A Harrison, R Newcombe, R Stuchbury, D Town, A Waite and H Mordue (ex-Officio)

SUPPLEMENTARY AGENDA

8. INTERNAL AUDIT PROGRESS REPORT (Pages 3 - 20)

To consider the attached completed internal audit report:-

- Building Control "to follow"

Contact Officer: Kate Mulhearn (01296) 585724



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Internal Audit Report 2017/18

Building Control

March 2018

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Distribution List

For action	Henry Allmand, Group Manager - Customer Fulfilment
For information	Jeff Membery, Assistant Director - Customer Fulfilment Tracey Aldworth, Director Andrew Small, Director Audit Committee

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.

1. Executive summary

Report classification*	Total number of findings				
	Critical	High	Medium	Low	
	Control design	-	-	1	2
Medium Risk (13 points)	Operating effectiveness	-	-	2	2
	Total	-	-	3	4

*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 raised three medium risk and four low risk issues.

We tested a sample of 10 Uniform applications to check whether the adopted process was complied with and inspections were sufficiently completed prior to the building work being signed off and certificate issued. We found that on the whole, procedures followed were compliant with legislation.

We also reviewed a sample of 15 payments recorded in Uniform to the scale of fees to establish the accuracy of charges. On the whole these demonstrated standard fees are accurately charged however when a quote is to be prepared for non-standard building work inspections, fees are calculated separately and are often reduced to win business when challenged, with no consideration given to cost recovery.

There is a national shortage of Building Control Inspectors and although the shortfall is being covered by 1 full time and 0.5 consultant, the team is still under resourced as at February 2018. There is a risk of this potentially compromising the quality of inspections. A quality checking process/peer review should be considered for implementation, for assurance that the right process has been followed and the correct decisions have been made within each case recorded in Uniform.

A review of the most recent budget monitoring report confirmed that cost recovery is considered, however this is not monitored on a 3-year rolling basis as per CIPFA guidance.

There is a level of risk due to inadequacies in the design and effectiveness of some key controls. There is a lack of policy and procedural guidance relating to building regulation inspections, and the CIPFA guidance on service capacity and cost recovery has not been implemented.

We recognise that the restructure over the past year has left the staff with changes to responsibilities and team structures which are currently being embedded, but there are fundamental processes and procedures that are not currently being adhered to which the Council must address.

During 2018/19 the Building Control function will move from Uniform to the Built Environment Salesforce platform. Work is currently being undertaken to map the processes to the new system and plan data migration. Management should ensure that issues raised in this report are appropriately addressed in the new system.

Summary of findings

- There is a lack of documented policies and procedures and inconsistent processes are followed (Finding 1 – Medium)
- Key Performance Indicators have not been reviewed to establish whether they are still relevant (Finding 2 – Medium)
- There is no evidence of fees being reviewed at the end of the financial year as per CIPFA Guidance (section 77) and no evidence that the service is breaking even (Finding 3 – Medium)
- Building Control Financial Statements, as set out in the CIPFA Local Authority Building Control Accounting Guidance for England and Wales, are not approved by the Section 151 Officer (Finding 4 – Low)
- CPD and training maintenance and updates are not evidenced by Managers (Finding 5 – Low)
- The manual process for matching invoices and payment is inadequate and should be automated. Our testing identified one certificate that was issued without payment of invoice, and one instance where duplicate payments were made (Finding 6 – Low)
- A Marketing and Income Generation Strategy has not been documented, approved and disseminated (Finding 7 – Low).

Good practice noted

- All Inspections carried out for building control (including fire safety) are recorded on Uniform; they are dated and include an explanation of the inspection, with files attached where necessary
- All Building Control Inspectors are professionally qualified and accredited and any training needs are identified through the appraisal process or officers proactively requesting further training.

Management comments

The management team welcome this opportunity to scrutinise our building control service in detail with our internal auditors. It is pleasing to note the areas of good practice, particularly including the fire safety aspects of inspections. We support the findings as they are in line with projects that are already under way to improve our service. For example, the fee review that is recommended is already underway, and a benchmarking exercise undertaken in Feb/March 2018 which compares our prices to a range of neighbouring authorities. This has found we are generally between the lowest and highest prices for the building control services we offer in this region, which is positive that our prices are in line with other authorities. We are also in the process of carrying out a full pricing review, including refreshing the hourly rate that we use to calculate the costs of service provision. We are also in the process of refreshing our KPIs for Commercial & Built Environment Services, and this includes reviewing the information we analyse when it comes to building control. The marketing and income generation strategy is also in the pipeline.

We will be taking various further actions to ensure that the findings in the audit report are addressed. For example, our policies and procedures will be documented over the coming months, and ensuring that CPD and training is captured and documented by the management team. We will also be working with our finance team to address the matching of invoices and payments, as it is recognised that this is not an efficient use of officer time currently.

Building control has suffered more than most departments with the loss of experienced staff to retirement or staff leaving for other roles outside of AVDC, and it is recognised nationally that building control surveyors are in short supply and that the population is aging without younger trainees being brought in to replace them. AVDC has taken action to address this long term shortage of building control surveyors, and

extended the successful town planning grad scheme into building control. We have successfully recruited two graduate surveyors into the team and are working with them closely to ensure long term resilience in the service. The sudden exodus of very experienced and knowledgeable staff from a relatively small team has meant we have had to work exceptionally hard to maintain a level of service expected by the customer, and I am pleased to see the general quality of the building control work is not in question.

A final comment is that the built environment suite in Salesforce (new IT system) is being rolled out for building control in 2018, which should create many efficiencies for the team and provide much clearer and better quality management information.

2. Background and Scope

Background

The Building Control service of Aylesbury Vale District Council (AVDC) is responsible for ensuring compliance with Building Regulations. The Building Regulations 2010 cover the construction and extension of buildings and AVDC must comply with this legislation. Some of the matters covered by the Building Regulations include:

- Structural Stability
- Fire Safety
- Environmental Comfort
- Water and energy efficiency
- Access and facilities within buildings

The Building Regulations also cover what is considered to be Building Works, how applications should be made, the duties and responsibilities of people involved, the actual technical requirements and what can be done without notifying the local authority, sometimes referred to as Exempt Works. The Building Control service will accept, assess and make decisions on applications submitted to it, to ensure the requirements of the Building Regulations are met by the proposals.

The service will also carry out site inspections during the course of a building project to verify compliance (proactive and reactive). Upon satisfactory completion of the building works, a Completion Certificate will be issued when requested by the applicant. The service also offers advice and support and certain services can attract a charge which typically depends on the type of property involved i.e. domestics/non-domestic.

All data relating to Building Control is held on a system called Uniform however, the Council are currently migrating to a new system called Salesforce which is a platform other AVDC services have or are also moving to. It is anticipated that Salesforce will be implemented during the financial year 2018/19.

Whilst Building Control Inspectors are required to be fully qualified by the Royal Institution of Chartered Surveyors (RICS), they are supported by Graduates who are also going through the qualification process but are not permitted to approve certifications. The Local Authority Building Control (LABC) department is introducing a new HNC level 4 diploma qualification in September 2018, in order to raise the industry standards and address the lack of people in the industry by introducing a fast track qualification.

Scope

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

- A review of 10 Uniform applications to check whether the adopted process was complied with and inspections were sufficiently completed prior to the building work being signed off and certificate issued
- A review of 15 payments recorded in Uniform compared to the scale of fees to establish the accuracy of charges and a review of the most recent budget monitoring report.

This does not represent a comprehensive list of tests conducted.

3. Detailed findings and action plan

1. Lack of documented policies and procedures and inconsistent processes – Control design

Finding

The application process for building control can be summarised as follows:

Initial process through to approval	Inspection process
Application received accompanied by initial charge payment – this is done online	Number of inspections and inspection charge determined (not based on risk)
Information input onto Council software, Uniform and Council acknowledges application and payment receipt	Letter of confirmation sent to customer with the inspection charges and a list of inspections
Allocation to Officer by Manager who is a qualified surveyor	Customer chooses to continue – inspection fee invoiced (if the client chooses to continue with another provider, the initial fee which has already paid is retained and a letter of confirmation from the client is saved on file)
Plans are checked and a decision given: <ul style="list-style-type: none"> Satisfactory – approved (within 5 or 8 week with customer consent) Unsatisfactory – rejected (within 5 or 8 week with customer consent) 	Inspections are completed and completion certificate sent to applicant once payment received

Lack of policies and procedures, review and approval

There are no documented policies or procedures over the Building Control processes. For example, there is no procedure detailing how an inspection process should be carried out or what should be reviewed at each inspection. Much of the initial process from inputting application and assessing cases is via Uniform and this is prescriptive, completing the steps on the system, and whilst there are no process notes to support this, following the Uniform system helps ensure critical steps are completed.

Equally, there is no evidence of peer reviews or approval by a manager that the surveyor has undertaken the inspections as per the Councils agreed process on a sample building control cases within Uniform.

Lack of consistent approach to quotations

Whilst the fees for the application process are fixed per fees set in 2013, for inspections, the Council can give quotations based on discussions with customers. From our testing and discussions, it was concluded that Officers will amend fees for inspections often to reduce costs to meet customers' expectations i.e. 2 inspections instead of 3. Whilst this may be appropriate, the costs charged cannot be linked back to internal cost schedules and/or there are no policies or procedures to guide Officers activities in this area.

Inspection process is not risk based

The inspection approach is based on the experience of the Surveyor undertaking the work. There are no policies that detailing how they should approach the number of inspections undertaken i.e. every 4 weeks,

or through a risk based approach.

“Risks / Implications

Inconsistency in staff working procedures and in the event of staff absence, activity may not continue in a consistent and effective manner. Correct procedures may not be followed.
 Inspections of higher risk may not be adequately inspected.

Finding rating

Action Plan

Medium

Policies and procedures covering all activities undertaken by the Building Control Team should be documented, approved and disseminated to all relevant Officers. Such policies and procedures should cover for example:

- The correct process and timeline to be followed for building control inspections from receipt of application to issue of certificate
- The process for rejecting applications
- The inspection and recording requirements
- Timescales for acknowledging an application
- Guidance on how many inspections to undertake per specific applications
- How to undertake a quotation if the application is outside of the fees and charges schedule
- Which key fields to complete in Uniform including the approval process
- Scheme of delegation
- How to raise an invoice once work has been complete and track payment
- Peer review process e.g. on a sample of cases to ensure that Uniform has been updated accurately, the right number of inspections have been completed, and the evidence on Uniform is sufficient to warrant issuing a completion certificate.

Responsible person / title

Henry Allmand – Group Manager

Target date

July 2018

2. Key Performance Indicators have not been reviewed to establish whether they are still relevant – Operating effectiveness

Finding		
<p>Team statistics which feed into the Key Performance Indicators (KPIs), are collated on a monthly basis and passed to Managers for scrutiny and review. However, the KPIs and supporting statistics have not been reviewed for a number of years and Managers have concerns that the KPI tracking process currently in operation does not allow sufficient monitoring for all aspects of building control performance.</p> <p>There are also concerns with the validity and accuracy of the data on the monthly reports due to unexpected increases/decreases in indicators covering the timeliness of the service.</p> <p>An exercise has commenced to review the KPIs but they are yet to be established at the time of this report.</p>		
Risks / Implications		
<p>Inadequate scrutiny and review of building control performance leads to ill-informed or uninformed decision making.</p>		
Finding rating	Action Plan	
Medium	a) As already underway, KPIs should continue to be reviewed, with a complete set of measures and targets being produced	<i>Responsible person / title</i>
		Henry Allmand – Group Manager
	b) Once the KPIs have been identified, standard reports should be produced and formulated into a monthly reporting pack to the Group Manager within two weeks of the relevant month. Performance should be monitored and poor performance addressed, including escalation procedures to the Assistant Director – Customer Fulfilment.	<i>Target date</i>
		September 2018

3. Fees are not reviewed at the end of the financial year as per CIPFA Guidance– Control design

Finding		
<p>Building Control fees have not been reviewed since 2013; the fees and charges approved by Cabinet 9th January 2018 for the financial year 2018/19 did not include Building Control fees. Furthermore, there is no evidence to support the fee calculation methodology/basis that was used at that time.</p> <p>CIPFA guidance provides advice on how local authorities can estimate their productive hourly rate in order to calculate their fees and charges. This is based on the total cost of providing the building control service such as the cost of employees, premises, transport, supplies and services, third party payments and support services. There is no evidence that the building control team have undertaken this level of review to arrive at a fees and charges schedule, which ensures full cost recovery.</p> <p>The majority of costs relate to staff, and since 2013 there have been several pay increases which would have an impact on fees. There is no assurance that all costs are covered by the current fees set. Appendix 3 provides some local benchmarking data for Building Inspection and Notice fees for consideration. Aylesbury Vale fees are comparable, but largely on the high side which should be taken into consideration when setting the fees and charges.</p>		
Risks / Implications		
<p>Costs are not fully recovered in line with best practice guidance. Fees charges cannot be substantiated and therefore subject to challenge.</p>		
Finding rating	Action Plan	
Medium	<p>a) The Building Control fees should be reviewed to ensure that they recover all costs incurred, including:</p> <ul style="list-style-type: none"> • Employees • Premises • Transport • Supplies and Services • Third Party Payments • Support Services. <p>Tables 1-3 within the CIPFA Local Authority Building Control Accounting Guidance detail an example of how to calculate the productive hourly rate of the team as a whole</p>	<p><i>Responsible person / title</i></p> <hr/> <p>Henry Allmand – Group Manager</p> <hr/> <p><i>Target date</i></p> <hr/> <p>June 2018</p>
	<p>b) Any changes in fees should be approved through the appropriate Committee and this should occur on an annual basis ahead of 1 April each year thereafter</p>	

4. The Building Regulations Financial Statements are not approved by the Section 151 Officer, and cannot evidence a 'break-even' position – Control design

Finding

The Charges Regulations 2010 require local authorities to publish a financial statement relating to the Building Regulations Chargeable and Non-chargeable Account not more than six months after the end of the financial year to which the statement relates. The statement must be approved by the Section 151 Officer. The same regulations state that is good practice for local authorities to achieve 'break-even' over a rolling period of three years, although five years may be more appropriate where unusually large surpluses or deficits have occurred.

It is expected the charging system will provide the following benefits:

- More accurate and fairer Council building control charges, based on the actual costs of providing services to users, reducing the potential to overcharge and large surpluses arising
- The safeguarding of building control income through improved accounting procedures and greater transparency
- Better value for money and potentially reduced charges for consumers and the building industry
- Higher building standards and greater compliance with building regulations
- Greater and more effective competition between Councils and private sector competitors.

The Building Control Section have not completed or published a Building Control financial statement.

Risks / Implications

Lack of transparency in the Council's accounts and charging regime.

Finding rating

Action Plan

Low	a) The financial statement should be completed, and signed off by the S151 Officer within six months of the end of the financial year and publicised on the Council's Public Website.	<i>Responsible person / title</i>
		Henry Allmand – Group Manager
	b) The scheme of delegation should be reviewed to ensure that the Officers signing off completion certificates are given adequate authority to do so.	<i>Target date</i>
	c) The financial position should be reviewed at least annually to ensure that the Building Control Service is breaking even. This break even can be over a rolling period of three years, although five years may be appropriate where unusually large surpluses or deficits have occurred.	March 2019 (next opportunity for annual review)

5. CPD and Training Maintenance and Updates are not evidenced by Managers – Control design

<i>Finding</i>		
<p>Building Control Inspectors are required to be fully qualified by the Royal Institution of Chartered Surveyors (RICS) and this is checked prior to commencement of employment.</p> <p>All RICS professionals must undertake and record online a minimum of 20 hours of CPD activity each calendar year. CPD activities must be completed by 31 December, and then recorded online by 31 January.</p> <p>Whilst the onus to maintain professional accreditation is on individual professionals, managers should have a process to ensure that its professionals remain fully accredited. There is no evidence of this or any monitoring completed by management.</p>		
<i>Risks / Implications</i>		
<p>Staff may not be sufficiently qualified to undertake their duties.</p>		
<i>Finding rating</i>	<i>Action Plan</i>	
Low	<p>Management should introduce a process which enables evidence or confirmation to be provided by professional staff, of their CPD activities being undertaken and continuation/renewal of their professional membership.</p>	<i>Responsible person / title</i>
		Henry Allmand – Group Manager
		<i>Target date</i>
		June 2018

6. Manual process for matching invoices and payment is inadequate - Operating effectiveness

Finding

Application fees are required at the time of the application, and can only be paid to the Council by posting a cheque or by debit card via the customer’s online account. No work is undertaken on an application until this payment is received. Where further payments are required for any subsequent inspections undertaken, an invoice is raised before the completion certificate is issued.

Testing of 15 payments between the period April 2017 and January 2018 identified that:

- An inspection payment of £370 against an invoice raised in April 2017, has not been received for an application (no 17/00023/DEXFP) and remains outstanding. It is noted that this occurred when there was no Officer in post to check whether payments are received. Since this post has been filled, there have been no reoccurrences identified. However, the certificate was issued without payment
- An initial application payment of £290 was paid twice in November 2017, by both the client and the agent (no 17/01397/DEXFP). This has not yet been refunded.

Fees to be raised are entered onto a spreadsheet by Building Control Officers and sent to Finance for invoices to be raised. An officer now has responsibility for checking but the process remains a very manual and still has room for error.

Risks / Implications

Income is not collected on work undertaken. Duplicate income received may not be identified.

Finding rating

Action Plan

Low

- The two applications identified should be reviewed and a decision made as to chase non-payment, and return fees overpaid
- Management should consider ways of automating the manual process that is currently in operation for the checking of charges.

Responsible person / title

Henry Allmand – Group Manager

Target date

September 2018

7. A Marketing and Income Generation Strategy has not been documented, approved and disseminated – Control design

Finding		
<p>In order to effectively promote the Building Control Service to generate sufficient income to cover its costs, a clear marketing strategy/approach should be established, approved and implemented. This should be set out following an assessment of the local market place and direct competitors.</p> <p>Currently a marketing strategy has not been documented. There is also no evidence of any fee benchmarking being completed. Without this, the Council’s approach and requirements relating to increased income generated have not been considered in operational plans and procedures.</p>		
Risks / Implications		
<p>Income generation may not be maximised. Building control inspections may not be competitively priced.</p>		
Finding rating	Action Plan	
Low	<p>a) A benchmarking exercise should be undertaken to review the Council’s fees against other similar neighboring Authorities to establish whether fees are competitive</p>	<p><i>Responsible person / title</i></p> <hr/> <p>Henry Allmand – Group Manager</p> <hr/> <p>June 2018</p>
	<p>b) A clear marketing strategy should be documented and approved to set out the Council’s requirements for increased income generation.</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	Overall report classification	Points
Critical	40 points per finding	● Critical risk	40 points and over
High	10 points per finding	● High risk	16– 39 points
Medium	3 points per finding	● Medium risk	7– 15 points
Low	1 point per finding	● Low risk	6 points or less

Individual finding ratings

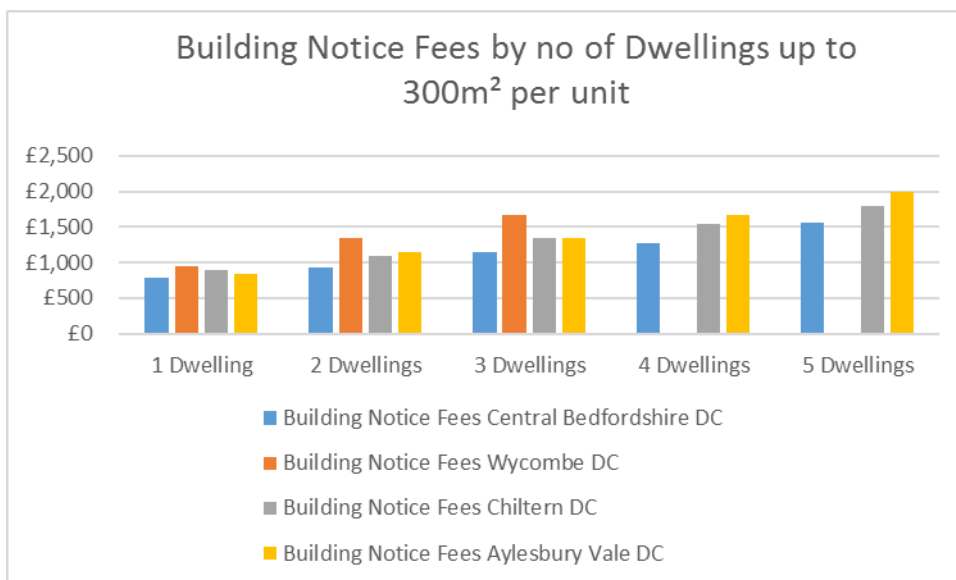
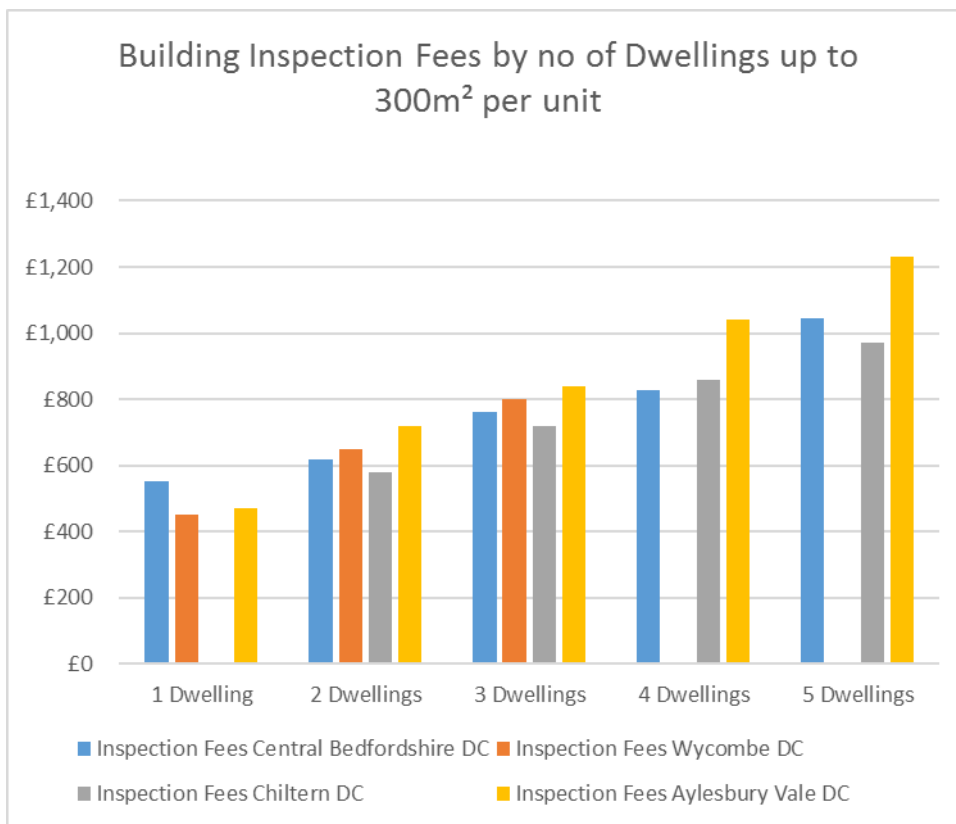
Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Critical impact on operational performance; or ● Critical monetary or financial statement impact [quantify if possible = materiality]; or ● Critical breach in laws and regulations that could result in material fines or consequences; or ● Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Significant impact on operational performance; or ● Significant monetary or financial statement impact [quantify if possible]; or ● Significant breach in laws and regulations resulting in significant fines and consequences; or ● Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Moderate impact on operational performance; or ● Moderate monetary or financial statement impact [quantify if possible]; or ● Moderate breach in laws and regulations resulting in fines and consequences; or ● Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> ● Minor impact on the organisation’s operational performance; or ● Minor monetary or financial statement impact [quantify if possible]; or ● Minor breach in laws and regulations with limited consequences; or ● Minor impact on the reputation of the organisation.
Advisory	<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.

Sub-process	Risks	Objectives
Capacity/Training	<ul style="list-style-type: none"> inadequate staff capacity and/or training 	<ul style="list-style-type: none"> Regularly review capacity and oversee resources Have a training programme in place and monitor training compliance
Policies	<ul style="list-style-type: none"> Ineffective policies, procedures and strategies that are not fit-for-purpose 	<ul style="list-style-type: none"> Approved policies/strategies in place and regular review Processes are documented
Approval	<ul style="list-style-type: none"> Non-compliance with Building Regulations 	<ul style="list-style-type: none"> Systems to document evidence of approval alongside an approval scheme of delegation Review challenge is documented
Validation	<ul style="list-style-type: none"> Ineffective inspections are conducted to validate whether Building Regulations adherence 	<ul style="list-style-type: none"> Inspection approach is recorded i.e. frequency or risk-based Inspections documented to confirm conformance to legislation
Fees and Charges	<ul style="list-style-type: none"> Non-compliance with legislation and/or allowable costs are not recovered 	<ul style="list-style-type: none"> Scale fees are recorded, transparent and approved Fees charged are raised in line with approved scale Fees are monitored with appropriate action taken
Management Information	<ul style="list-style-type: none"> Ineffective management information and/or oversight to monitor the risks and/or performance of the service 	<ul style="list-style-type: none"> Management information is produced on team performance regularly and monitored Action taken on underperformance
Legislation	<ul style="list-style-type: none"> Non-compliance with legislation i.e. fire safety checks are not undertaken in line with legislation and documented 	<ul style="list-style-type: none"> Checks are documented and undertaken in line with legislation
Income Generation	<ul style="list-style-type: none"> Ineffective service promotion to generate sufficient income 	<ul style="list-style-type: none"> A clear marketing strategy/approach is in place and implemented Benchmarking takes places to monitor market position

Appendix 3. Building Control Inspection Fee and Notice Fee Benchmarking Data



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