



Income Generation 2018/2019

FINAL REPORT

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1) Executive Summary

i) Introduction

This audit was carried out as part of the agreed audit plan for 2018/19. Audit testing has been restricted to areas that have been assessed as high risk by Internal Audit.

It was determined through discussions with Finance and a review of income generating areas at CDC that the areas to be focused on during this audit would be Estates, Building Control and Civil Parking Enforcement.

ii) Overall audit opinion

The overall audit opinion is based solely on testing carried out and discussions held during the course of the audit.

	Levels	Description/Examples
	No Assurance	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit
→	Limited Assurance	Control weaknesses or risks were identified which pose a more significant risk to the Authority
	Reasonable Assurance	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority
	Assurance	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority

iii) Summary of findings

Objective 1: Estates rent reviews are carried out promptly – **Limited Assurance**

Discussions were held with the former Valuations & Estates Manager (VEM). He confirmed that the Estates Technician runs a quarterly report showing rent reviews due in the next 6 months which are allocated across the team. The VEM monitors progress on reviews through an access database as well as through verbal updates. Rent reviews are generally started well in advance of the review being due, roughly 6 - 8 months in advance.

The VEM stated that rent reviews are carried out under the legal premise that 'Time is not of the essence'. Research found that there is a legal precedent set in case law that unless the lease sets out precise time limits by when a rent review must be carried out then a review can be carried out at any time. CDC in general does not have time limits written into leases.

Rent reviews cannot be completed until the rent amount has been agreed upon by the tenant. This may require negotiation between CDC and the tenant and can take some time, hence why there is a delay on some reviews. Where lease reviews are delayed any increase in the rental amount can be backdated. Although this means that the Authority does not lose income, it may affect CDC's cash flow as the income may not be available in the year that it is due.

30 lease rent reviews were carried out in 2017 and 2018. Of these 30, 2 (7%) were carried out on time, 25 (83%) were completed after the due date and 3 (10%) were early. The delays on these ranged from 27 days late to 877 days late.

All of the late reviews were tested to see whether there was any increase in the rental amount and, if so, whether it was backdated. Of the 25 late reviews, 18 had a resulting increase in rent. Invoices had been raised for backdated rent for 17 of the 18 cases.

Rent income reconciliations are carried out by the Estates Technician on a quarterly basis. The file was reviewed and confirmed that reconciliations are being carried out. However, it was not possible to tell how timely these reconciliations were as the cover sheets were not dated.

Objective 2: To ensure that income received for Civil Parking Enforcement covers the cost of providing the service – Assurance

The contract between CDC and West Sussex County Council (WSSCC) came into force on 12th April 2010 for a period of 6 years with the option to extend for a further 2 years, which was done. Currently work is being carried out on a new contract.

A monitoring spreadsheet is maintained by the Assistant Accountant which details expenditure for on-street parking and income received. The total cost of providing the service is calculated at year end and invoices are raised to WSSCC for any deficit. A review of the monitoring spreadsheet confirmed that there was a deficit in 2014/15, 2015/16 and 2016/17. It was confirmed by interrogating Civica that WSSCC had paid CDC the amount due for these periods.

Objective 3: All chargeable work for Building Control is being invoiced for - Limited Assurance

All applications received by Building Control are reviewed and validated by the Admin Officers. Applications are not validated where the required payment has not been received. A process is in place to identify all non-validated applications where the fee hasn't been paid which are then chased up.

A report is run on a monthly basis by the Admin Officer showing all applications where work on site has started but a site inspection fee has not been received by CDC and the payment amount that is due. The outstanding payment amount is checked for correctness and an invoice is then raised for the income due. A sample of 25 application validated between 1/4/18 and 8/2/19 was tested to confirm that the plan charge has been paid, and whether CDC have been informed that work on site has commenced and should have been invoiced for inspection charges. All 25 cases chosen had paid the initial plan charge, and had notified CDC that building work had started. Invoices for inspection charges had been raised for all properties sampled.

A copy of the timesheet completed by BC officers was obtained and reviewed. Officers put in the total chargeable time for each day, broken down into areas such as plan checking and site visits. There is no breakdown of which properties have been worked on for plan checking. The Admin Officer confirmed that the Building Control Officers send an e-mail each morning detailing what site visits they are carrying out that day. There is no record of time of arrival on site or how long has been spent there. It is therefore not possible to identify whether the chargeable time recorded on the timesheet is accurate for either site visits or plan checking.

Income reconciliations are carried out by the Admin Officer and signed off by the BC Manager. The file was reviewed and confirmed that reconciliations are being carried out, although not always on a monthly basis. It was not possible to tell how timely these reconciliations are as the cover sheet is not dated to show when prepared. The BC Manager does date when he signs them off.

Objective 4: CDC remains competitive against other BC providers - Limited Assurance

A copy of the most current charges was obtained. They were last reviewed in late 2016 and amended from 1st January 2017 but had not been reviewed since 2010. CDC also does not carry out a regular benchmarking exercise to establish whether the fees are roughly in line with other Local Authorities.

Discussions with the BC Manager and the Divisional Manager confirmed that the charge calculator which formed the basis of the 2010 charges was not included in the 2016 fee review so it is possible that the length of time taken to carry out certain chargeable tasks has changed and the hourly rate and fees need to be reviewed again.

The BC account has been in deficit for 6 out of the 8 financial years since the new charging regulations came into force in April 2010 and as at 31.3.18 had a current deficit value of £150,000.

Overall assurance level – Limited Assurance

Three high risk exceptions and one low risk exception have been raised as a result of this review. Therefore Internal Audit can give limited assurance that the area is of low risk to the Authority.

Key for risk rating of exceptions:

Priority Level	Description
Critical Risk	<p>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation's objectives in relation to:</p> <ul style="list-style-type: none">▪ The efficient and effective use of resources▪ The safeguarding of assets▪ The preparation of reliable financial and operational information▪ Compliance with laws and regulations <p>And corrective action needs to be taken immediately.</p>
High Risk	<p>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not "show stopping" but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</p>
Medium Risk	<p>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</p>
Low Risk - Improvement	<p>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</p>

EX1 – Estates: Backdating of rental income	
Risk rating: High	
Findings	
<p>30 lease rent reviews were carried out in 2017 and 2018. Of these 30, 2 (7%) were carried out on time, 25 (83%) were completed after the due date and 3 (10%) were early. The delays on these ranged from 27 days late to 877 days late.</p> <p>All of the late reviews were tested to see whether there was any increase in the rental amount and if so whether this was backdated. Of the 25 late reviews, 18 had a resulting increase in rent. It was found that for 1 of the cases an invoice had not been raised for the backdated rent that was due to the Authority (with a value of £223). This was queried with the Estates Technician who confirmed that it had been overlooked by the officer who had completed the rent review. An invoice was subsequently raised by Estates for the backdated income.</p>	
Risks and consequences	
<p>If backdated invoices are not raised then this will result in lost income for CDC.</p> <p>Delays in carrying out lease reviews will not result in lost income. However, it does affect CDC's cash flow as the income is not available in the year that it is due.</p>	
Agreed action	Officer responsible and by when
Completion process to be reviewed to identify any scope for improvement to ensure invoicing is arranged for revised rents.	Valuation & Estates Manager (not yet in post) – process review by end 2019.

EX2 – Building Control: Completion of timesheets	
Risk rating: High	
Findings	
<p>A copy of the timesheet completed by BC officers was obtained and reviewed. Officers put in the total chargeable time for each day, broken down into areas such as plan checking and site visits.</p> <p>There is no breakdown on the timesheet of which properties have been worked on for plan checking or how much time has been spent on each plan.</p> <p>The Admin Assistant confirmed that the Building Control Officers send an e-mail each morning detailing what site visits they are carrying out that day. There is no record of time of arrival on site or how long has been spent there.</p> <p>Therefore it is not possible to identify whether the chargeable time recorded on the timesheet is accurate for either site visits or plan checking.</p> <p>This chargeable time is coded to the Building Control financial statement as expenditure and needs to be covered by a corresponding amount of income in order for the account to breakeven.</p>	
Risks and consequences	
<p>If chargeable time is overstated then this may lead to a financial deficit if the costs are not covered by income.</p> <p>If chargeable time is understated then this may lead to an excessive surplus on the account if income exceeds expenditure. Surpluses may not be used to fund other services but can only be used to improve the quality of delivery of the chargeable building control service.</p>	
Agreed action	Officer responsible and by when
Through remote working project, look to include time at site visit however, to make allowance for size of district, fees are based on an average time for each type of application.	R Pugh - dependent on remote working project timetable (which has slipped due to IT issues needing resolving).
Demonstrate proportion of workload from previous financial years to better understand the impact on income	A Stevens – 30 July 19

EX3 – Building Control: Competitiveness of the service and charging mechanism	
Risk rating: High	
Findings	
<p>Fees were reviewed in late 2016 and amended from 1st January 2017 but had not been reviewed since 2010. The charge calculator which formed the basis of the 2010 charges was not included in the 2016 fee review so it is possible that the length of time taken to carry out certain chargeable tasks has changed and the hourly rate and fees need to be reviewed again.</p> <p>The Building Control Manager confirmed that CDC does not carry out a regular benchmarking exercise to establish whether the fees charged are roughly in line with other Local Authorities.</p>	
Risks and consequences	
<p>If regular benchmarking does not take place then there is a risk that CDC prices itself out of the market and service demand declines.</p> <p>The fees may be based on inaccurate information meaning that certain activities are being over or under charged for. This will have an impact on the Authority's reserves.</p>	
Agreed action	Officer responsible and by when
<p>Fees reviewed in 2019.</p> <p>Reviewed the time allocation per inspection type.</p> <p><i>Client comment</i> – there is nothing to indicate that the length of time taken to carry out certain chargeable tasks has changed since 2010.</p>	<p>R Pugh – completed.</p> <p>R Pugh – completed. Time allocated for Building notices increased however, need to ensure fee is not increased, resulting in loss of business.</p> <p>No action required.</p>

EX4 – Estates & Building Control: Completion of reconciliations	
Risk rating: Low Risk - Improvement	
Findings	
<p>Estates - Rent income reconciliations are carried out by the Estates Technician on a quarterly basis. The reconciliations are held both electronically and on a paper file. The file was reviewed and confirmed that reconciliations are being carried out. However, it was not possible to tell how timely these reconciliations were as the cover sheets were not dated.</p> <p>Building Control - Income reconciliations are carried out by the AA and signed off by the BC Manager. The file was reviewed and confirmed that reconciliations are being carried out, although not always on a monthly basis. It was not possible to tell how timely these reconciliations are as the cover sheet is not dated to show when prepared. The BC Manager does date when he signs them off.</p>	
Risks and consequences	
Delays in reconciliations can mean that it is harder to resolve issues and may result in more officer time being spent than if the reconciliation had been carried out more promptly.	
Agreed action	Officer responsible and by when
Estates – income reconciliations to be dated when signed.	Valuation & Estates Manager (not yet in post) – Autumn 2019
Building Control – income reconciliations to be signed and dated at the point of completion.	Admin Assistant – immediately