

# **Fees and Charges 2016-17**

## **City of York Council**

### **Internal Audit Report**

Business Unit: Economy and Place  
Responsible Officer: Corporate Director of Economy and Place  
Date Issued: 12<sup>th</sup> October 2017  
Status: Final  
Reference: 10580/003

	<b>P1</b>	<b>P2</b>	<b>P3</b>
<b>Actions</b>	<b>0</b>	<b>2</b>	<b>0</b>
<b>Overall Audit Opinion</b>	Reasonable Assurance		

# Summary and Overall Conclusions

## Introduction

Councils can charge for services delivered in order to raise revenue and to cover the cost of providing the service. The Localism Act 2011 developed the powers that councils have in terms of fees and charges that were originally set down in the Local Government Act 2000. The amounts that can be charged are either set by the Government or the council and may be limited to cost recovery in order to avoid excessive charges being made to deliver surplus income for the council.

The council has several fees and charges that are agreed each year by the Full Council as part of the budget setting report that is presented in February. The amount of money the fees and charges generate varies between £1k and £250k per year depending on the service.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- Fees and Charges are correctly calculated on a regular basis.
- The principals behind the Fees and Charges are understood and can be explained when necessary.

The audit reviewed a sample of six fees and charges within the Economy and Place directorate. These were selected following discussions with the Assistant Director of Planning and Public Protection. The following fees and charges were reviewed as part of the audit: Animal Health, Court Cases, Premises Licence, xxxxxxxxxxxxxxxxxxxx, Private Taxi Hire Licenses and New Roads and Street Works.

## Key Findings

The methodology behind the calculations for the fees and charges was generally understood by the Service Managers and the majority were correctly calculated, however, improvements could be made to support the business case behind them to ensure an appropriate level for the fees are set. The basis for including costs and monitoring demand for the service were not always known which meant it was not possible to confirm whether the fees were set at appropriate levels or whether there was justification to change their level.

An annex has been included to provide details of individual fees and charges reviewed.

## Overall Conclusions

The arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

# 1 Business Case Supporting Fees and Charges

## Issue/Control Weakness

The business case to support the level of fees and charges was not always known.

## Risk

Charges are not being set at the optimal level.

## Findings

Fees and charges can be set based on the costs involved in providing the service, the demand level for the service or because the fees were set based on political decisions that were taken either by the council or the government. The following issues were noted with the setting of the level of fees and charges.

- The costs that were involved in setting the charges were not always known therefore it was not possible to confirm whether the fees that were set covered all the costs in providing the service. In particular it was not always possible to confirm whether indirect costs such as overheads, enforcement or costs from other services had been correctly included in the calculation.
- The demand for the service was often based on historical assumptions that had no supporting evidence. For example fees were set on the basis that demand would not change because York was a popular tourist town. Although this would justify the assumption that demand for services wouldn't fall it is not known whether the level of fees could be increased above what is currently charged based on the demand for the service.
- In five out of six cases in the sample it was not known whether there was a surplus or deficit for the service or what level the surplus was even though in some cases it was likely to be quite large. In addition there was no adequate explanation for the surpluses or the political reasoning behind them.

## Agreed Action 1.1

This has been shared with all Heads of Service across Economy & Place. They have been asked to consider the rationale for fees when setting as part of the next budget round. The primary focus will be on those charges that raise the highest level of fees. Managers are to consider costs, charges of other authorities and policy implications.

**Priority**

2

**Responsible Officer**

Corporate Director of Economy and Place

**Timescale**

28<sup>th</sup> February 2018





## Audit Opinions and Priorities for Actions

### Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

### Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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