



BACKGROUND PAPERS

Audit & Governance Committee

Date: Wednesday, 6 December 2017

Time: 5.30 pm

Venue: The George Hudson Board Room - 1st Floor West Offices (F045)

The Agenda for the above meeting was published on 28 November 2017. The attached additional documents provide further background information for the following agenda item:

- 9. Audit & Counter Fraud Monitoring Report** (Pages 1 - 16)
To receive an update on progress made in delivering the internal audit workplan for 2017/18 and on current counter fraud activity.
- Fees and Charges (redacted)
 - Final Development Management Report 2016-17

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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: 12th October 2017
 Status: Final
 Reference: 10580/003

	P1	P2	P3
Actions	0	2	0
Overall Audit Opinion	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

28th 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.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.

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Development Management City of York Council Internal Audit Report 2016/17

Business Unit: Economy and Place
Responsible Officer: Assistant Director (Planning & Public Protection)
Service Manager: Head of Development Services and Regeneration
Date Issued: 7 November 2017
Status: Final
Reference: 10460/002

	P1	P2	P3
Actions	0	1	2
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

The Development Management service is a statutory function which deals with all planning proposals, appeals and enforcement cases within the council area.

In 2013 a significant change was made to the operations of the department with the support services team being moved in to the council's new Business Support Hub at West Offices.

A number of different planning applications are received into the service each year (last year over 1,800). Together with other types of submission the number of cases processed by Development Management is approximately 3,000. These applications are entered onto the back office system, Uniform and a plans folder is created and passed to a member of the Development Management team. At various points in the life cycle of an application documents are scanned and attached to the electronic case file. The plans file is physically passed between the Business Support Hub and officers during the application or appeal process. It is therefore key that this change is well managed between the departments.

Objectives and Scope of the Audit

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

- Planning applications were processed through to a decision in accordance with the council's policies and government legislation
- Complaints and enforcement work were recorded, monitored and followed up by appropriate officers
- Effective Quality Assurance arrangements were in place

Key Findings

The Development Management process is carried out by two departments; Development Management and the Business Support Hub. The two departments need to work together to ensure that the high numbers of applications received are processed accurately within the respective time periods. Whilst there were no significant issues found within the application through to a decision process, a number of small improvements were identified which have been discussed with the departments.

Quality Assurance work is carried out by Senior Officers within the Development Management team with all applications being reviewed before the decision notice is released to the applicant or their representative. However the level of evidence to support these checks may not be robust enough to support the department in the event that the application is challenged.

Enforcement action is taken by the Council however the recording of this information through the system found gaps in the processing of information.

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 Quality Assurance Arrangements

Issue/Control Weakness

The department does carry out review checks but they are not sufficiently evidenced so that if they were challenged, they could provide details without additional rework.

Risk

The department may not be able to provide evidence to support robust challenges to planning applications.

Findings

The department has a number of quality assurance arrangements in place for the planning applications processed by development officers. These reviews are carried out after the development officer has completed their work and prior to any decision being issued. A senior officer will review the application and officer's report. If all is in order, the senior officer will acknowledge that the decision can be issued via email to the Business Support Hub.

Evidence to support these reviews was limited. Whilst the audit confirmed that a senior officer had authorised the issuing of the decision to the applicant, there was little or no formal documentation of this process.

Agreed Action 1.1

Worksheets will be altered to confirm that officers have undertaken checks and the email releasing the decision will include an instruction that confirms that the delegated decision has been made on behalf of the LPA and has been made in accordance with the report.

Priority

3

Responsible Officer

Head of Development Services and Regeneration.

Timescale

December 2017

2 Enforcement Work and Monitoring

Issue/Control Weakness

There are a number of cases on the Uniform system which have been inactive for a significant period of time leading to complainants not being notified of the outcome of any enforcement investigation

All enforcement cases can be found within the Enforcement Outlook Mailbox but not all cases had been logged onto the Uniform System.

Risk

The number of live enforcement cases is incorrect.

Breakdown in the relationship with members of the public leading to more correspondence into the department.

Findings

At the time the audit was carried out, there was a pressure on the recording of enforcement cases onto Uniform. Business Support were reviewing the processes for the Enforcement Outlook Mailbox to ensure that there was a clear control process for logging all cases onto Uniform.

A review of the current enforcement cases (as reported to Members of the Area Planning Sub-Committee) showed that there were 615 enforcement cases that were pending consideration. The oldest case on the report dated back to November 2001. Audit testing confirmed that some of these cases should have been closed and were sitting in the wrong reporting category. Whilst this may distort the number of open enforcement cases it also has an effect on the notifications sent to complainants as they are only processed once the enforcement case is closed.

It was also found that where the enforcement investigation concluded with the advice that the developer should submit a planning application to regulate a breach, there was no evidence to support that any subsequent follow up work had been undertaken to ensure that this action had been carried out.

Agreed Action 2.1

New Principal Development Management Officer (with responsibility for Enforcement) has been appointed and will be in post November 2017. They will then undertake a comprehensive review of all cases and make a judgement on cases where it is no longer expedient to continue.

Priority

2

Responsible Officer

Head of Development Services and Regeneration.

Timescale

March 2018

Agreed Action 2.2

Delegated powers given to Planning Enforcement Officers to close straightforward cases without reference to PDMO/DM will allow cases to be closed in a timelier manner. Will then trigger notifications to complainants.

Where an enforcement investigation has concluded that formal action is not expedient and the developer has been advised to regularise the breach through the submission of a planning application the enforcement case should be closed at that stage rather than when the application is submitted.

Priority

3

Responsible Officer

Head of Development Services and Regeneration.

Timescale

March 2018

Audit Opinions and Priorities for Actions

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Priorities for Actions	
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