

Audit of Building Control

Draft Report Issued: 07 November 2019
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Audit Report Distribution

Client Lead:	Building Control Services Manager
Chief Officer:	Corporate Director of Economic Development Chief Executive
Others:	Information Governance Manager
Audit Committee:	The Audit Committee, which is due to be held on 18 December will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Building Control. This was an internal audit review included in the 2019/20 risk-based audit plan agreed by the Audit Committee on 18th March 2019.
- 1.2 Building Control are responsible for receiving and monitoring applications for building works, with the team responsible for inspecting work against national regulations.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the Building Control Services Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
 - Risk 1 - Failure to achieve business objectives due to insufficient governance.
 - Risk 2 - Loss of or failure to secure sensitive personal information and comply with data protection legislation, resulting in sanctions and reputational damage.
 - Risk 3 - Loss of custom to private sector competition.
 - Risk 4 - Death or serious injury to staff while engaging in duties at hazardous locations
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).
- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Building Control provide **substantial assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1 or N/A)	-	1
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2 or N/A)	-	-
3. Information - reliability and integrity of financial and operational information (see section 5.3 or N/A)	-	1
4. Security - safeguarding of assets (see section 5.4 or N/A)	-	1
5. Value – effectiveness and efficiency of operations and programmes (see section 5.5 or N/A)	-	-
Total Number of Recommendations	-	3

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.3 Findings Summary (good practice / areas for improvement):

A strong governance framework is in place, with appropriate structures, plans and processes embedded in line with the corporate framework. The team meets frequently, and officers are aware of their roles and responsibilities in line with service objectives.

The team is subject to regular internal and external reviews to ensure services are delivered in line with regulations. The team utilise their membership of the LABC to aim for continual improvement of the service.

Suitable processes are in place to manage the processing and sharing of personal information in line with legislation. However, a review of the extent of electronic records currently held is required to remove duplicate and out-of-date information. Data is held securely, though user access to the IDOX system should be reviewed.

A risk register is in place for the team and appropriate mitigating strategies are in place to manage the recorded risks.

A key issue for the team is the presence of private sector competition; however, the team monitor their own performance and take steps to ensure client retention and delivery of a quality service.

Health and safety risks are addressed by a lone-working policy, which was found to be suitably embedded.

Comment from the Corporate Director Economic Development

I welcome this report and we have commenced implementing the three recommendations set out in the action plan.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1 A Service Plan is in place for the department, in line with the corporate template, detailing priorities for the year.
- 5.1.2 A structure is in place, supported by up-to-date job descriptions. The structure is considered suitable to manage workloads. It is accepted significant incidents or absence will impact this, but processes are in place to monitor team performance, allowing action to be taken if necessary.
- 5.1.3 Officers are kept up to date through regular team meetings, one to ones and annual appraisals and the Building Control Services Manager regularly attends meetings between all Cumbrian Building Control departments to keep abreast of local issues.
- 5.1.4 The department holds a corporate membership of LABC (Local Authority Building Control), which provides regular updates on sector developments, as well as providing guidance on best practice. Officers attend regular training events, which are maintained in continuing professional development logs.
- 5.1.5 The Building Control Services Manager has identified a succession-planning risk due to two officers approaching retirement age, combined with a general shortage of appropriately qualified candidates. This has resulted in a proposed apprenticeship post to manage this risk, with funding opportunities currently being explored.
- 5.1.6 An external procedures manual is in place, maintained by LABC and based on current regulation and good practice. The manual is available to all officers via membership of the LABC website. A quality manual is also in place to supplement and improve working practices in line with internationally recognised quality standards (ISO9001).
- 5.1.7 The agreed processes are embedded into the two electronic systems used to document and monitor the work of the department, including the maintenance of auto-populated template documents used to generate the necessary paperwork.
- 5.1.8 The department performs an extensive annual internal quality review to ensure agreed processes are being adhered to and review performance and knowledge. An action plan is in place to address minor areas of non-compliance.
- 5.1.9 An external audit has also recently been carried out of the service as part of a wider audit of LABC members. Informal feedback indicated no concerns identified within Carlisle City Council, but the wider, final report has not been published at the time of the audit.

5.1.10 A risk register is in place for the team, monitored on a regular basis by the Building Control Services Manager. The register was recently updated following a review by the Council's Operational Risk Management Working Group. There is evidence that the mitigating strategies stated are being appropriately implemented.

5.1.11 Various performance reports have been set up in the IDOX system, including quarterly Key Performance Indicators, reported quarterly to Senior Management Team and Scrutiny panels, alongside annual indicators reported to LABC. The Building Control Services Manager also requests performance information on an ad-hoc basis to monitor team performance as and when the need arises.

5.1.12 Performance information extracted from the system is not currently retained on file. Internal Audit identified performance data could potentially change due to timing lags in the data entry process. This is not considered a significant risk, as performance data is usually provided sufficiently later than the period covered; however, a full audit trail of performance information is necessary to support data reported.

Recommendation 1 – A copy of system reports used for performance reporting should be retained on file.

5.1.13 Financial monitoring is in place for the team and the responsible Finance Officer attends the Economic Development management team meetings to provide updates. The service's financial performance is currently performing slightly ahead of budget.

5.1.14 The Building Control Services Manager also attends the management team meetings and provides regular updates on service developments and is also managed by the Corporate Director of Economic Development, therefore having a direct link to the Senior Management Team.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1 The team have recognised inspectors face additional health and safety risks due to the nature of their site visits (building sites / potentially unsafe buildings). Staff have had relevant training and following a recent risk assessment, a revised lone working policy has been prepared and issued to all officers.

5.2.2 The policy appears suitable and addresses the risks identified. Internal Audit observed the policy being put into practice during the audit review.

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** A suitable and accurate privacy statement is in place for the team, published on the Council's website.
- 5.3.2** A retention schedule is in place for the team, however no retention schedules are attached as all information is retained permanently. There is limited guidance available as to how long building control records should be retained; however, the privacy statement indicates information will be retained for a minimum of 15 years.
- 5.3.3** Most of the documentation is retained on two systems (IDOX and Submit-A-Plan), the former used to measure performance and archive closed records, the former used to carry out work on site. The team has recognised the potential for inefficiencies and errors and a corporate project has been identified to obtain a replacement system.
- 5.3.4** A review of the marketplace indicated available options are limited, so the team are currently continuing with the existing process (which is reviewed for accuracy on a regular basis), while monitoring how successful a neighbouring authority has implemented an untested new system to the market.
- 5.3.5** Minimal paper records are retained by the team, as applications and inspections are processed via submit-a-plan. A review of information held in the office indicated personal information retained was not sensitive and was appropriately stored.
- 5.3.6** It was identified that electronic documentation is currently archived on IDOX, but also retained in Submit-A-Plan, resulting in duplication. Additionally, it was identified that old records are held on the team's shared network drive that are no longer required (e.g. an outdated lone working policy and income records over 7 years old).

Recommendation 2 – A review of all documentation retained by the team should be carried out to determine which records should be retained and for how long. Duplicate and outdated records should be deleted.

- 5.3.7** There is sometimes a requirement to share personal information with third parties, such as the Fire Service, as consultees on building applications. There is a legal requirement for this information to be shared, which is documented in the service's privacy statement. Information is shared securely via the Submit-A-Plan portal.

5.4 Security – Safeguarding of Assets

- 5.4.1 Electronic records are held on the Council's electronic servers and are therefore subject to a regular back-up. Submit-a-Plan data is stored and backed up using cloud services.
- 5.4.2 Access to both electronic systems is password protected. However, it was identified that the system users for IDOX had not been reviewed in some time and included individuals who no longer required access.
- 5.4.3 The team perform work off-site using tablets secured by both Council network and relevant system access log-ins.

Recommendation 3 – Access to IDOX should be reviewed on a regular basis. Users that no longer require access should have their accounts removed.

5.5 Value – effectiveness and efficiency of operations and programmes

- 5.5.1 A risk has been identified that the service could lose business to private sector competition, as there has been an increase in the level of private operators nationally.
- 5.5.2 The service's market share is assessed on a regular basis to identify any concerns.
- 5.5.3 The service uses KPI data to monitor the quality and speed of the service, while surveys are issued to measure customer satisfaction. The process and format of the surveys is suitable and demonstrated that generally a high level of satisfaction is held for the service. The team also use the corporate complaints as a measure of service quality and are reassured that none have recently been made against the service.
- 5.5.4 The Business Development Manager has a role in liaising with key clients (local architects) to ensure their needs are being met. This is achieved through informal, regular meetings, with any issues mentioned reported back to the team to address.
- 5.5.5 The Council invite key clients to their training events as both a goodwill gesture and networking opportunity at no additional cost.
- 5.5.6 The Building Control Manager is also able to monitor the presence of competition in Cumbria through attendance of the Cumbria Building Control meetings.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – A copy of system reports used for performance reporting should be retained on file.	M	Insufficient audit trail to support performance reporting process.	This is now in place.	Building Control Services Manager	Implemented
Recommendation 2 – A review of all documentation retained by the team should be carried out to determine which records should be retained and for how long. Duplicate and outdated records should be deleted.	M	Wasted resource on storing documentation. Additional exposure to GDPR risks. Potential for out of date processes or policies to be utilised.	The storage of information on shared drives will be reviewed and obsolete information removed as part of the transfer of data onto one drive. Completed files on submit-a-plan will be removed and the information retained on IDOX document management system only.	Building Control Services Manager	01 June 2020
Recommendation 3 – Access to IDOX should be reviewed on a regular basis. Users that no longer require access should have their accounts removed.	M	Inappropriate access to the IDOX system	This work has now been actioned and will be reviewed regularly as an officer's status changes.	Building Control Services Manager	Implemented

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).