Cumbria Shared Internal Audit Service

Audit Report for Carlisle City Council

Economic Development Directorate

Audit of Development Management

Audit Resources

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Audit Report Distribution

For Action:	Christopher Hardman – Development Management Manager
For Information:	Jane Meek, Corporate Director of Economic Development
Audit Committee	The Audit Committee, which is due to be held on 16th March 2017, will receive the findings and recommendations from this audit.

Executive Summary

1. Background

1.1. This report summarises the findings from the audit of Development Management.This was a planned audit assignment which was undertaken in accordance with the 2016/17 Audit Plan.

1.2. Development Management plays a key role in delivering the Council Plan's strategic objective to support economic growth. The service deals with the determination of all applications made under the Town & Country Planning and Listed Building and Conservation Areas Acts to timescales set out in national targets.

1.3. Audit testing focussed on discussions and information gathered from the Development Management Manager. All evidence has been examined and evaluated to form an opinion regarding the controls in operation over Development Management.

2. Audit Approach

2.1. **Audit Objectives and Methodology**

2.1.1. 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. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4; detailed findings and recommendations are reported within section 5 of this report.

2.2. **Audit Scope and Limitations**

2.2.1. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Jane Meek, Corporate Director of Economic Development.The agreed scope of the audit was to provide assurance over management's arrangements for governance, risk management and internal control in the following areas:
- Administration of workload – allocation, monitoring and reporting.
- Procedures - processing of applications.
- Validation - checks on applications process.

3. Assurance Opinion

3.1.   Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A.**

3.2.   From the areas examined and tested as part of this audit review, we consider the current controls operating within Development Managementprovide **Reasonable** 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. Summary of Recommendations, Audit Findings and Report Distribution

4.1.   There are three levels of audit recommendation; the definition for each level is explained in **Appendix B.**

4.2.   There are 4 audit recommendations arising from this audit review and these can be summarised as follows:

Control Objective	No. of recommendations		
	High	**Medium**	**Advisory**
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	2	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	1	-
3. Information - reliability and integrity of financial and operational information (see section 5.3)	-	1	-
4. Security - safeguarding of assets	-	-	-

5. Value - effectiveness and efficiency of operations and programmes	-	-	-
Total Number of Recommendations	-	4	-

4.3.   **Strengths:** The following areas of good practice were identified during the course of the audit:

- Arrangements are in place to implement Planning Advisory Service (PAS) suggested improvements to the Development Management processes.
- Where risks relating to Development Management have been identified there are effective arrangements in place to manage these.
- Development Management team is part of the Cumbria Planning Training Scheme and staff attend relevant training events.

4.4.   **Areas for development**: Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.4.1. *High priority issues:*

- There are no high priority issues arising.

4.4.2. *Medium priority issues:*

- There are no procedures notes in place for allocating new planning applications/enquiries and completing validation checklists. In addition there are no procedures that describe how amendments and updates to the Acolaid system are made.
- Discussions, outcomes and actions on performance activity, new or emerging legislation/regulations, and the identification of training needs are not formally documented. There is no effective arrangement in place to undertake team appraisals.
- Discussions, outcomes and actions from managers' regular review of performance reports and weekly planning lists are not formally documented.
- There is no mechanism in place to monitor and report compliance and non-compliances/deviations with the code of conduct guidance on conflicts of interest.

4.4.3. *Advisory issues:*

- There are no advisory issues arising.

Comment from the Corporate Director of Economic Development

I welcome the report and the recommendations are in the process of being implemented.

Management Action Plan

5.   Matters Arising / Agreed Action Plan

5.1.   Management - achievement of the organisation's strategic objectives.

●**Medium priority**

Audit finding	Management response
5.1.1. Procedures The audit confirmed that new planning enquiries/applications are allocated based mainly on officers' rolling case workload, history with applicant and experience of the officers. Audit were advised that the allocation process that is followed has not been documented. Audit testingconfirmed that there are inconsistencies in how the Planning Officers undertake and document their checks on the completed validation checklists, amendmentsare recorded,*i.e. granted extensions*and how updates to the Acolaidrecords are made, *i.e. when amending decision notices*. Audit were advised that the validation checklist procedures that are followed have not been documented.	**Agreed management action:** Agreed. Started the process on preparing procedures that focus on administration, technical and professional roles and that demonstrate clearly where pressures of resources are.
Recommendation 1: a) Management should prepare planning application procedures/guidance for staff to follow that focus on describing how: new planning enquiries/applications should be allocated and processed, checks and validation checklists should be completed and documented, and any amendments and updates to the Acolaid system should be entered. b) A timescale should be set for the preparation of planning application procedures/guidance including the relevant approval arrangements.	
Risk exposure if not addressed: • Statutory and local targets are not achieved because staff involved in the allocation and administration of workload and validation checks are unclear about the expected procedures to follow.	**Responsible manager for implementing:** Development Management Manager **Date to be implemented:** 31st March 2017

Delays caused by outstanding notifications not being identified when the validation checklists are reviewed.	
• Future queries or complaints as a result of missed notifications.	

●**Medium priority**

Audit finding	Management response
5.1.2. **Awareness, Appraisals and Training** Audit were advised that in recent years the national and local targets have not been shared with the Team, as they have not changed. However, Audit were advised that members of the team have recently changed and it is recognised that they have not been advised of these targets. Team appraisals are used to monitor the team's performance activity on national and local targets and to identify the team's training needs. Audit were advised that the current annual team appraisal is over overdue as it was last undertaken more than 12 months ago and identified team training needs have yet to be formally documented. The audit review confirmed that regular team meetings are held that include discussions on performance activity, new/emerging legislation/regulations and identifying training needs. Audit were advised that discussions from team meetings are not formally documented.	**Agreed management action:** Agreed. Changed Team meeting agenda proforma to include actions required ielocal targets etc. Team appraisal will be undertaken in the last quarter of2016/17.
Recommendation 2: a) Management should ensure that national and local targets are communicated to staff. b) Management should be reminded of their responsibilities to identify and progress any team training needs and to regularly undertake team appraisals. c) Managers should be reminded of the need to retain a record of team meetings that support discussions made regarding performance activityand training needs. Any outcomes from such discussions should be reported and escalated where appropriate and any corrective action taken should be documented.	

Risk exposure if not addressed:	Responsible manager for implementing:
• Statutory and local targets are not achieved because staff lack the knowledge and understanding or are unaware of targets to be delivered • There is not an effective evaluation process of the team's performance and performance issues may remain undetected. • Decisions taken in team meetings are not actioned or tasks identified are not properly noteand assigned. • Future challenges and disputes may arise over discussions relating to performance activity,awareness of legislation and training needs.	Development Management Manager **Date to be implemented:** 31stMarch 2017

5.2. **Regulatory** - compliance with laws, regulations, policies, procedures and contracts.

●**Medium priority**

Audit finding	Management response
5.2.1. **Performance reports and weekly planning lists** The audit confirmed that the Development Management Manager regularly reviews monthly and quarterly planning application performance reports and provides a verbal update on any exceptions ie applications delays etc. to the Directorate's Management Team meetings. The Development Management Manageralso regularly reviewsthe weekly lists of new planningenquiries/applications to verify their accuracy and allocation to a member of the team.Audit testing confirmed thata record of such reviews, any discussions and actions takenfrom theseis not formally documented.	**Agreed management action:** File notes will be stored alongside the weekly lists and performance figures confirming they have been checked and any updates.
Recommendation3: Managers should be reminded of the need to retain a record of discussions and outcomes from having reviewed performance reports and weekly planning lists. Any outcomes from such discussions should be reported and escalated where appropriate and any corrective action taken should be documented.	
Risk exposure if not addressed: • Future challenges and disputes may arise over discussions relating to performance activity and weekly planning lists.	**Responsible manager for implementing:** Development Management Manager **Date to be implemented:** WC 6th February 2017

5.3. **Information** - reliability and integrity of financial and operational information**.**

●**Medium priority**

Audit finding	Management response
5.3.1. **Conflict of Interests** The Council's Constitution includes a code of conduct for Officers which states "In order to avoid any perception of partiality, staff must not handle service requests for themselves, their relatives or friends and, if requested to do so, must pass it to a colleague." Examples of such requests include planning applications. Audit testing confirmed that staff who are involved in the allocation of new planning enquiries/applicationsand are processing planning application are aware of their responsibilities to declare and report conflicts of interest. However, there is no mechanism in place to monitor and report compliance and non-compliances/deviations with the code of conduct guidance on conflicts of interest.	**Agreed management action:** Agreed will review and update P1 form to record where there is/is notconflict of interests or look at alternative process to record this.
Recommendation 4: Arrangements should be introduced for monitoring and reporting compliances and non-compliances with the code of conduct guidance on conflicts of interest.	
Risk exposure if not addressed: • Council's priorities are not achieved because there is no effective monitoring arrangements to evaluate compliances/non-compliances with guidance on conflicts of interest. • Non-compliances/deviations from guidance on conflicts of interest may remain undetected.	**Responsible manager for implementing:** Development Management Manager **Date to be implemented:** 31st March 2017

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.	The controls tested are being consistently applied and no weaknesses were identified. Recommendations, if any, are of an advisory nature in context of the systems and operating controls & management of risks.
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	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 developed. Recommendations are no greater than medium priority.
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 which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified. Recommendations may include high and medium priority matters for address.
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.	Significant non-compliance with basic controls which leaves the system open to error and/or abuse. Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.

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 three levels of audit recommendations used; high, medium and advisory, 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
Advisory	●	Minor risk exposure / suggested improvement to enhance the system of control