

Argyll and Bute Council
Internal Audit Report
December 2019
FINAL

Building Standards

Audit Opinion: High

	High	Medium	Low
Number of Findings	0	0	2

Contents

1. Executive Summary	3
Introduction	3
Background	3
Scope	3
Risks	4
Audit Opinion	4
Recommendations	4
2. Objectives and Summary Assessment	4
3. Detailed Findings	5
Appendix 1 – Action Plan	10
Appendix 2 – Audit Opinion	12

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1. Executive Summary

Introduction

1. As part of the 2019/20 internal audit plan, approved by the Audit & Scrutiny Committee in March 2019, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Building Standards.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. Building Standards are responsible for enforcing the requirements of the Building (Scotland) Act 2003. The Act focuses on the health and safety of people in and around buildings, the conservation of fuel and power within buildings and sustainable development. As a Government licensed verifier Building Standards administer the system and are responsible for granting permission for work to be done (building warrant) and for a completed building to be occupied (completion certificate). They are also the enforcing body under the Act and carry out the Council's statutory remit in relation to Dangerous and Defective buildings, those buildings constructed without warrant or in contravention of conditions of warrant, and buildings whose limited life has expired. This includes where buildings are constructed in relation to structure and fire, means of escape, energy efficiency, accessibility and the general health and safety of the building user.
5. Building Standards has a Building Standards Customer Service Charter (the Charter) which sets out the minimum standards of service that the Council should meet as specified by the Scottish Government Building Standards framework.
6. Building Standards has a manager who exercises overall control, four area based teams which generally comprise a team leader, qualified and experienced surveyors and assistant/trainee surveyors. They are provided with administrative support via shared area administration staff. As at July 2019 Building Standards has a budgeted complement of 17 staff including 15 surveyors (four at team leader level).

Scope

7. The scope of the audit was to provide assurance that Building Standards are complying with the commitments established by the Charter and warranty fee income is properly charged as outlined in the Terms of Reference agreed with the Building Standards Manager on 8 October 2019.

Risks

8. The risks considered throughout the audit were:
- **SRR 3:** financial sustainability
 - **D&I ORR 4:** resource availability - building warrant fee shortfalls
 - **Audit Risk 1:** failure to comply with relevant legislation
 - **Audit Risk 2:** commitments outlined in the Charter are not met
 - **Audit Risk 3:** appropriate performance monitoring is not carried out

Audit Opinion

9. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
10. Our overall audit opinion for this audit is that we can take a high level of assurance. This means that internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.

Recommendations

11. We have highlighted two low priority recommendation where we believe there is scope to strengthen the control and governance environment. These are summarised below:
- a periodic reconciliation between IDOX and Oracle should be performed
 - performance targets in the Charter should be consistent with the Scottish Governments framework.
12. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

13. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	Building Standards meet its commitments as outlined within the Charter.	Audit Risk 1 Audit Risk 2 Audit Risk 3	High	A Charter has been established which includes information on the minimum standards of service the Council must adhere to. The Council was found to be compliant with all requirements of the Charter however there is a discrepancy between the Charter and the Scottish Government Framework in relation to a performance target.

2	Warranty fees are properly charged. invoices are generated timeously and payments monitored	SRR 3 D&I ORR 4	Substantial	There are documented procedures for the processing of building warrant applications which includes verification that fees are properly charged. All applications sampled were found to have been charged appropriately. Work carried out on behalf of other councils is properly charged and recorded. There is no reconciliation between the IDOX system and Oracle to ensure income is properly recorded in the ledger.
3	Appropriate arrangements are in place for performance monitoring and reporting.	Audit Risk 3	High	Building Standards have, and report against, a comprehensive range of performance measures. Performance data is available on the Council's website, pyramid and displayed in the area offices. Performance is monitored through a variety of channels including customer satisfaction surveys.

14. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

Building Standards meet its commitments as outlined within the Charter

15. The Charter provides information on the minimum standards of service that the Council must adhere to. It is regularly reviewed and was last updated on 24 October 2019. It commits Building Standards to:

- seek to reduce the average time it takes for customers to obtain a building warrant
- ensure continuous improvement around the quality of assessments
- meet and seek to exceed customer expectations
- carry out local customer satisfaction surveys
- address feedback obtained through a National Customer Satisfaction Survey
- provide accurate evidence-based financial data
- engage with peers and stakeholders through a National Forum to identify and embed service improvements at a national level
- develop and adhere to a balanced scorecard approach outlining objectives and targets.

16. The Council monitors progress against the Charter commitment to reduce the average time it takes for customers to obtain a building warrant and publishes performance data on its website on the:

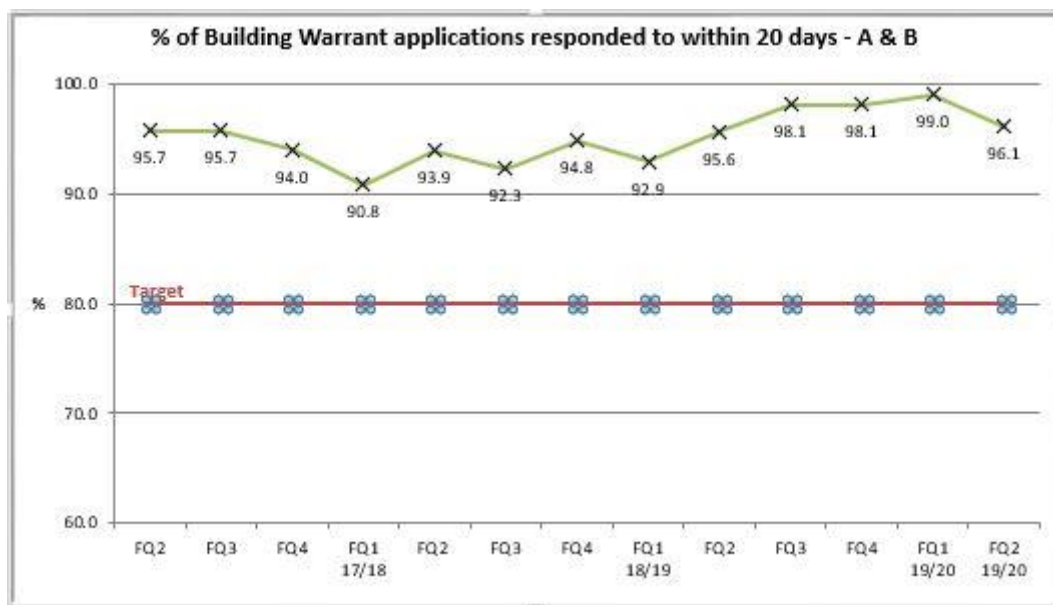
- percentage of building warrants responded to within 20 days
- percentage of building warrants issued within six days
- average number of days to respond to a completion certificate.

17. Exhibit 2 provides an example of one of the performance charts hosted on the website. A review of all three graphs highlighted that, whilst performance has varied in the past three years with

no definitive trend of improvement, the Council has nevertheless exceeded its target for all three indicators. However the target time for building warrants to be responded to is 20 days whereas the Charter has it set at 15 days. Consequently the performance data on the website is not consistent with the Charter. The Scottish Government framework establishes the statutory target as 20 days meaning the Council are reporting against the statutory target. The Charter should be amended to reflect the statutory 20 day target.

Action Plan 1

Exhibit 2 – Example of Building Standards Performance Data on Council Website



18. Exhibit 3 provides a summary of how the Council is meeting the other commitments established by the Charter.

Exhibit 3 – Meeting the Charter Commitments

Charter Commitment	Building Standards Action
Ensure continuous improvement in relation to the quality of assessments	<p>Maintains a service improvement log which seeks to introduce improvements highlighted by:</p> <ul style="list-style-type: none"> • staff suggestions • customer comments • benchmarking with other authorities • liaising with other divisions and stakeholders. <p>The log, which is updated quarterly, details the reason for the improvement and the date it was implemented. Building Standards publish an annual performance report which includes reference to these improvements.</p>
Meet and seek to exceed customer expectations	<p>Seeks customer feedback and publishes the percentage of customers providing feedback who were either satisfied or very satisfied with the service provided. In addition customer satisfaction data is recorded in the Council's performance management system (Pyramid). Due to the level of customer feedback being consistently high the overall customer satisfaction target has been increased from 84% to 95%.</p>

Carry out local customer satisfaction surveys	Asks customers to complete a survey questionnaire accessible via the Council's website. Customers are asked to comment on various aspects of the service by indicating whether the service was unacceptable, poor, acceptable, good or excellent. The criteria for evaluation is: <ul style="list-style-type: none"> the manner in which the application was received time taken to deal with the enquiry level and quality of information and advice given attitude of case officer who dealt with applicant overall quality of service.
Address feedback obtained through a National Customer Satisfaction Survey	In December 2018, appointed an independent body to carry out a national survey of 550 users of building standards services. 107 (19%) responded and the survey confirmed the Council exceeded the Scottish average for all areas of service surveyed.
Provide accurate evidence-based financial data	There are regular Skype meetings with relevant finance officers to discuss budgets. Monthly budget monitoring reports are provided by the finance officer which show actual versus budget for all account headings. Trend analysis for the previous five years has been provided which highlight a steady increase in fee income.
Engage with peers and stakeholders through a National Forum to identify and embed service improvements at a national level	The Council's website details engagement with peers and stakeholders over the last seven years including a presentation to the Building Standards User Forum in November 2018 by the Building Services manager outlining innovations and performance of the service.
Develop and adhere to a balanced scorecard approach outlining objectives and targets.	Publish an annual performance report (previously referred to as a balanced scorecard) on the Council website. A review of the report found it to be comprehensive providing information on: <ul style="list-style-type: none"> strategic objectives key performance outcomes and targets performance data.

19. Further assurance over the extent to which Building Standards delivers a good service can be taken from the results of their 'Customer Service Excellence' assessment. Customer Service Excellence is a UK Government run initiative developed to offer public services a practical tool for driving customer-focused change within their organisation. Building Standards were assessed subject to external assessment in December 2018 and the assessment's overall conclusion was 'strong'. Exhibit 3 summarises the results against each assessment criteria.

Exhibit 4 – Customer Service Excellence Summary Results

Assessment Criteria	Assessment	Extract from Report
Customer insight, engagement and satisfaction	Strong	A lot of effort has been made to identify service improvements through analysing customer experience.
Culture of the organisation	Strong	Staff are highly valued by managers and senior leaders.
Information and access	Strong	Sound procedures remain in place to ensure information is received and understood through formal processes such as Agent Forums and customer feedback.

Delivery	Strong	Sound procedures in place to monitor performance and outcomes are exceptionally good, resulting in compliance plus being awarded.
Timeliness and quality of service	Strong	A good range of timeliness and quality standards are in place and applied as effectively as the core performance standards.

Warrant fees are properly charged, invoices are generated timeously and payments monitored

20. Building Standards have a procedure which sets out the steps required to process a building warrant including the requirement to ensure the appropriate fee has been paid prior to commencement of work.
21. A table of fees is maintained on the Council website and regularly updated. Applicants can estimate their building warrant fee online using the Council's 'express building warrant assessment service' for cost of works of £5,000 or less.
22. All building warrant applications are recorded on the IDOX Uniform case management system with supporting documentation stored on the Civica document management system.
23. Payments for building warrants can be made either via the Council's website or at any Council area office. Payments via the website generate an e-mail to the Building Standards administration team advising them of the payment, reference number and amount paid. Where area offices take a payment a payment record is forwarded to the administration team.
24. A random sample of 11 building applications were chosen from IDOX from the period April 2019 till October 2019. We confirmed that for all 11:
 - fees were properly charged
 - fees were received prior to work being carried out
 - a completion certificate and building warrant was completed and forwarded to the applicant.
25. The Civica workflow process has a question 'has the correct fee been paid?' to which officers should select 'Yes' or 'No'. This question had not been answered for the audit sample however discussions with the relevant officer confirmed that applications are not processed unless the fee has been received (which our sample testing confirmed). Assurances have been provided that all future applications will have this question answered appropriately. No audit issue has been raised.
26. There is no reconciliation carried out between IDOX and the Council's financial ledger system (Oracle) to ensure building warrant payments are accounted for in the ledger.

Action Plan 2

27. Building Standards carry out work on behalf of other Scottish councils and have specific procedures for each Council. A record of all work done is maintained by Building Standard surveyors. The record tracks the progress of each application, shows the responsible surveyor handling the application and the fee charged. Councils are charged 50% of the normal fee.

Appropriate arrangements are in place for performance monitoring and reporting.

28. Building Standards have, and report against, a comprehensive range of performance measures which is available on the Council's website as detailed at paragraphs 16. Performance data is also on display in all major area offices.
29. Performance is monitored through a variety of channels including the quarterly performance reports (balanced score cards) and customer surveys.
30. Performance is regularly discussed at team leader meetings including a focus on service improvements and identified actions being progressed.

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
	1	Performance Targets The Scottish Government framework has established a statutory requirement for Councils to respond to building warrants within 20 days. The Councils charter has this set at 15 days however performance is reported correctly against the 20 day target	The charter is not consistent with National guidelines.	The charter has been amended and is now consistent with the National Guidelines	Completed
Low	2	Reconciling IDOX to Oracle There is no reconciliation carried out between IDOX and the Council's financial ledger system (Oracle) to ensure building warrant payments are accounted for in the ledger.	The Council's ledger may not accurately reflect income received.	A reconciliation will be developed over the coming financial year	Finance Officer (with responsibility for Building Standards) 30 September 2020

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.