

<u>MEETING</u> AUDIT COMMITTEE
<u>DATE AND TIME</u> MONDAY 30TH JANUARY, 2017 AT 7.00 PM
<u>VENUE</u> HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
7.	ADDENDUM Report: Internal Audit Exception Recommendations and Progress Report Q3: 1st October - 31st December 2016	3 - 10

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	<p style="text-align: center;">Audit Committee 30th January 2017</p>
<p style="text-align: center;">Title</p>	<p style="text-align: center;">Internal Audit Exception Recommendations Report and Progress Report up to 31st December 2016 - ADDENDUM</p>
<p style="text-align: center;">Report of</p>	<p>Caroline Glitre – Head of Internal Audit</p>
<p style="text-align: center;">Wards</p>	<p>Not Applicable</p>
<p style="text-align: center;">Status</p>	<p>Public</p>
<p style="text-align: center;">Urgent</p>	<p>No</p>
<p style="text-align: center;">Key</p>	<p>No</p>
<p style="text-align: center;">Enclosures</p>	<p>Appendix 1 - Regional Enterprise (Re): Operation Review Phase 2: Operating Effectiveness Investigating and resolving alleged breaches of planning control</p>
<p style="text-align: center;">Officer Contact Details</p>	<p>Caroline Glitre, Head of Internal Audit caroline.glitre@barnet.gov.uk 020 8359 3721</p>

Summary

Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit, Corporate Anti-Fraud Team (CAFT) and Risk Management Plan 2016-17 (the Internal Audit Plan 2016-17).

Detail has been presented within this report on the eighth and final control tested as part of the following review:

Regional Enterprise (Re): Operation Review, Phase 2: Operating Effectiveness.

The control tested related to **Investigating and resolving alleged breaches of planning control**.

At the time of publication of the main Audit Committee papers the findings on this control were only at 'Draft report' stage, and therefore the main Q3 report only included the

outcome of the testing on 7 of the 8 controls tested across Re's services. The audit work on the eighth and final control, related to Investigating and resolving alleged breaches of planning control, has now been completed and the report issued as final.

Recommendations

- 1. That the Committee note the work completed to date on the Internal Audit Annual Plan 2016-17.**

1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving this report is to note the overall progress made against the 2016-17 Internal Audit Plan and the high priority recommendations made. In addition, the Audit Committee can inquire of Directors and Assistants Directors as to their progress against recommendations.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Audit Committee approved the Internal Audit Plan 2016-17 in April 2016 and this report notes the progress against that plan and progress against high priority recommendations.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Not relevant.

4. POST DECISION IMPLEMENTATION

- 4.1 The Internal Audit Plan 2016-17 will continue to be delivered as reported to the Audit Committee with recommendations implemented in line with the report.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 All internal audit and risk management planned activity is aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 When internal audit findings are analysed alongside finance and performance information it can provide management with the ability to assess value for money.
- 5.2.2 The Internal Audit Plan 2016-17 agreed by the Audit Committee is being

achieved from Internal Audit's current budget.

5.3 Legal and Constitutional References

5.3.1 There are no legal issues in the context of this report.

5.3.2 The Council's Constitution, Responsibilities for Functions - the Audit Committee terms of reference paragraph 2 states that the Committee can consider summaries of specific internal audit reports as requested.

5.4 Risk Management

5.4.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement and agreeing actions to address the weaknesses.

5.4.2 Internal Audit work contributes to increasing awareness and understanding of risk and controls amongst managers and thus leads to improving management processes for securing more effective risk management.

5.5 Equalities and Diversity

5.5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess, as appropriate, the differential aspects on different groups of individuals to ensure compliance with the Council's duties under the 2010 Equality Act.

5.6 Consultation and Engagement

5.6.1 N/A

6. BACKGROUND PAPERS

6.1 Audit Committee 11 March 2010 (Decision Item 11) - the Committee accepted that there would be progress reports to all future meetings of the Committee and, that for all "limited" or "no assurance" audits, there should be a brief explanation of the issues identified.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201003111900/Agenda/Document%208.pdf>

6.2 Audit Committee 21 September 2010 (Decision Item 7) – the Committee agreed that where an audit had limited assurance that greater detail be provided than previously.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201009211900/Agenda/Document%203.pdf>

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Appendix 1

Internal Audit Report
Regional Enterprise (Re): Operation Review
Phase 2: Operating Effectiveness
Investigating and resolving alleged breaches of planning control
January 2016

To: Interim Chief Executive, LBB
Commissioning Director of Growth and Development, LBB
Partnership Relationship Manager, LBB
Operations Director, Re
Planning Performance and Business Development Manager / Interim Head of Development Management, Re

From: Head of Internal Audit

We would like to thank management and staff of Regional Enterprise for their time and co-operation during the course of the internal audit.

Executive Summary

Background

Regional Enterprise (Re) is a joint venture (JV) between Capita and LBB to deliver development and regulatory services within the Borough. The venture commenced in October 2013 and is in its third year of a ten year term, providing the following services:

- Development: Building Control, Planning Administration (Development Management), Strategic Planning and Regeneration, Highways Services and Land Charges
- Regulatory Services: Environmental Health, Trading Standards and Licensing and Cemetery and Crematorium

The contract between Capita and LBB documents the expected outputs from the joint venture but has been formulated not to detail the specific procedures which will be undertaken by Re to achieve the agreed deliverables.

Scope

This review is the second part of a two-phased testing approach. The first phase assessed whether there are appropriate policies and procedures in place to support key operational activity undertaken by Re. This second phase considered the operating effectiveness of a sample of key controls identified to support operational activity undertaken by Re in three areas: Planning and Building, Regulatory Services and Highways. Eight key controls were selected to test based on risk and informed by the Council's statutory responsibilities. The key controls selected for testing have been outlined in the summary of findings below and Appendix 2. This report provides detail on the testing of the following: *Investigating and resolving alleged breaches of planning control - Investigations are performed in a timely manner, evidence retained to demonstrate the performance of the investigation and enforcement action (if applicable) is approved by an appropriate person.* The other seven key controls tested are covered within a separate report issued on 19 January 2017.

Summary of findings

Operating effectiveness issues were identified with the key control as follows:

- **Investigating and resolving alleged breaches of planning control** – For 8/25 (32%) cases we found the investigations were not completed in a timely manner. For 1/25 (4%) case we found insufficient information had been kept on file to support the decisions made. **(High risk)**

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.

2. Detailed Findings

Control Ref	Control Tested	Exceptions	Exception details
1	<p>Investigating and resolving alleged breaches of planning control</p> <p>Investigations are performed in a timely manner, evidence retained to demonstrate the performance of the investigation and enforcement action (if applicable) is approved by an appropriate person.</p>	<p>9</p> <p>36%</p>	<p>Operating effectiveness (High risk)</p> <p>In line with KPI0001, - <i>enforcement and breach of condition notices</i> - there is an expectation that where a breach of planning control has not been resolved or an appropriate application for consent has not been received, where it is considered expedient, enforcement or breach of condition notices shall be served within 90 working days of receipt of a complaint.</p> <p>We were provided with the total list of enforcement cases which have been opened by Re in the past two years. There were 3168 cases in total, including 619 where a recommended action had not been logged within Uniform, the case management system used by Re. Of those 619 cases, 307 (50%) of these were greater than 6 months old and 175 (28%) were greater than 1 year old.</p> <p>We selected 25 cases for our testing to verify that investigations were performed in a timely manner. We noted the following exceptions:</p> <ul style="list-style-type: none"> • For 5/25 cases (20%) there was no recommended action but on reviewing the files we found that: <ul style="list-style-type: none"> ○ In four of these cases ‘no formal action’ should have been logged within the case notes, the decision approved by management and the case closed; and ○ For one alleged breach of control the case notes stated that an investigation had commenced in July 2015 but we were not supplied with any evidence of further activity on the case since. • For 3/25 cases (12%) we considered that action was not taken in a timely manner: <ul style="list-style-type: none"> ○ For one case there was a six month gap between when the investigation began and the decision to take no further action. ○ For one case there was eight months between the case opening and a site visit. ○ For one case it appeared that no action was taken for a year and there was three months between refusal of

Control Ref	Control Tested	Exceptions	Exception details
			<p>planning permission and the delegated report being written to authorise enforcement action.</p> <p>We tested 25 cases to ensure that the notes within Uniform provided evidence to justify the recommended action. We found that:</p> <ul style="list-style-type: none"> • For 1/25 (4%) cases we tested, insufficient evidence was held on file within the case notes to support the decisions made by the Enforcement Team. <p>Agreed actions:</p> <ul style="list-style-type: none"> • Management will review the 619 enforcement cases which are currently without a recommended action and ensure appropriate action is being taken. Management will prioritise the 175 cases that have been open for over a year. • Management will further investigate any cases where action is not taken in reasonable timescales to ensure that recurrent delays are prevented and that lessons are learnt from the review. • Management will remind Enforcement Officers of the importance of ensuring all relevant information and evidence is retained on file in the event of a query being raised at a later date. <p>Responsible officer: Planning Enforcement Manager</p> <p>Implementation date: 30/04/2017</p>