

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 17 May 2016

**BY:** Depute Chief Executive – Resources & People Services

**SUBJECT:** Internal Audit Report – Other Income

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Other Income.

## **2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

## **3 BACKGROUND**

- 3.1 A review of Other Income was undertaken as part of the audit plan for 2015/16. The review covered fees and charges relating to Building Control, Planning, Estates and Transportation.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

## **4 POLICY IMPLICATIONS**

- 4.1 None

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## **6 RESOURCE IMPLICATIONS**

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

## **7 BACKGROUND PAPERS**

7.1 None

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<b>DATE</b>	5 May 2016

## **EAST LOTHIAN COUNCIL – INTERNAL AUDIT OTHER INCOME**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

A review of the internal controls surrounding the administration of Other Income (fees and charges) was undertaken as part of the Audit Plan for 2015/16. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- The Council has in place an Income Management System for the collection, recording and management of income received.
- Systems are in place to ensure that all income received directly by service areas and through the Income Management System is correctly posted to the Council's general ledger.
- The statutory fees paid for building warrants and planning applications were in accordance with legislation.
- Adequate segregation of duties exists between staff responsible for the administration and management of commercial rents and those responsible for the collection of rental income.

#### **1.3 Areas with Scope for Improvement**

- The building warrant fee scale on the Uniform system requires review – in some cases there were anomalies in the estimated value of work and related building warrant fees. *Risk – over or under payments may occur.*
- The Transportation fees and charges on the Council's website require review – in some instances the fees listed were out of date. *Risk – incorrect payments may be made.*
- The monitoring arrangements in place for the issuing of Transportation consents require review – in some cases there was a lack of evidence to confirm that consents had been issued to applicants following receipt of payment. *Risk – lack of a clear audit trail.*
- In some instances, payments received and banked for both building warrants and planning applications had not been recorded in the income received book. *Risk – errors and irregularities may occur and remain undetected.*
- In some service areas, there was a failure to ensure adequate segregation of duties for the collection of income. *Risk – errors and irregularities may occur and remain undetected.*

#### **1.4 Summary**

Our review of Other Income has identified some areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

**Mala Garden**  
**Internal Audit Manager**

**May 2016**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.5.2	Management should ensure that the non-statutory fees and charges for Building Control are reviewed on a regular basis.	Medium	Service Manager – Engineering Services and Building Standards	Agreed		August 2016
3.5.3	Management should ensure that the building warrant fee scale on the Uniform system is accurate and complete.  Appropriate checks should be carried out by an independent person to ensure that the estimated value of work and related building warrant fees have been correctly updated on the Uniform system – evidence of the checks should be retained on file.	Medium	Management System and Administration Officer	Agreed  Agreed – will be implemented for future changes.		In place  May 2016
3.5.5	Management should ensure that all income received for Building Control is recorded in the income received book.	Medium	Management System and Administration Officer	Agreed		May 2016

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3.5.5 (cont)	The informal arrangements in place whereby Building Standards Officers collect inspection fees on site should cease with immediate effect – all fees in respect of letters of comfort should be paid when the application is submitted.	Medium	Service Manager – Engineering Services and Building Standards	Agreed – the application form will be amended to ensure that fees are paid when the application is submitted.		May 2016
3.5.6	Management should ensure that the existing fund code (EW) which has been set up for telephone payments is also used for online building warrant payments.	Medium	Management System and Administration Officer	Agreed – to be used when eBuilding Standards becomes available in August.		August 2016
3.5.7	Management should ensure that all Building Control income recorded on the Uniform system is reconciled to the Council's general ledger.	Medium	Management System and Administration Officer	Agreed – current process to be reviewed.		August 2016
3.6.2	Management should ensure that all income received for planning applications is recorded in the income received book.  Management should ensure that all income received is banked timeously.	Medium	Management System and Administration Officer	Agreed		May 2016

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3.6.4	Management should ensure that all Planning income recorded on the Uniform system is reconciled to the Council's general ledger.	Medium	Management System and Administration Officer	Agreed – current process to be reviewed.		August 2016
3.7.1	Management should ensure that the information held on the Badger system is accurate and complete.  Management should ensure that the rateable value of commercial properties on the Badger system is consistent with the Assessors valuation roll.	Medium	Team Manager – Estates	Agreed		May 2016
3.7.2	Management should ensure that the rent charged for commercial properties is in accordance with the agreement signed by both parties.  Checks should be carried out to ensure that any under payments are correctly identified following rent reviews and that appropriate recovery action is taken.	Medium	Team Manager – Estates  Senior Sundry Accounts Officer	Agreed  Agreed		May 2016  May 2016

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3.7.6	Management should ensure that regular reconciliations are carried out between the rental income due per the Badger system and the total rental income invoiced through Sundry Debtors.	Medium	Team Manager – Estates	Agreed		July 2016
3.8.2	Management should ensure that adequate segregation of duties exists for the collection of income – payments for vehicle re-tests should be made using the Council’s existing payment options available.	Medium	Service Manager – Transport	Agreed		July 2016
3.8.4	Management should ensure that the fee list for Transportation consents on the Council’s website is updated to accurately reflect the fees being charged.  Management should ensure that fees and charges for Transportation are reviewed on a regular basis.	Medium	Team Manager – Assets and Regulatory	Agreed  Agreed		May 2016  October 2016
3.8.5	Management should review the adequacy and effectiveness of the arrangements in place for administering Road Construction Consents.	Medium	Team Manager – Assets and Regulatory	Agreed		August 2016

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3.8.5 (cont)	Management should ensure that a clear audit trail exists for Transportation consents – all consents issued to applicants following receipt of payment should be clearly recorded.	Medium	Team Manager – Assets and Regulatory	Agreed		August 2016
3.8.7	Management should ensure that regular meetings are held with the Sundry Debtors Section to monitor the recovery of amounts due in respect of Road Construction Consents – a record should be maintained of the meetings held.	Medium	Team Manager – Assets and Regulatory	Agreed – the current process will be reviewed.		August 2016



### **Grading of Recommendations**

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.