



## **Internal Audit Report**

FINAL

Development & Infrastructure Services

### **Review of Dangerous Buildings Procedures**

April 2012

## **1 INTRODUCTION**

- 1.1 This report has been prepared as a result of the Internal Audit review of Dangerous Buildings Procedures as part of the 2011/12 Internal Audit Annual Plan.
- 1.2 It is a statutory responsibility of the Building Standards team to ensure that any danger to the public caused by dangerous buildings is removed, by the building owners to ensure public safety. If the building owners default on their responsibilities, Building Standards are empowered to take action on their behalf.
- 1.3 Where it appears to the Council that any building is dangerous to the extent that the safety of the public is at risk, powers exist under the Building (Scotland) Act 2003, which enables the Council:
  - To require immediate evacuation, and
  - Require, or itself take, action to either have the building made safe or have it demolished.
- 1.4 In the case of immediate danger, the Council is obliged to take action to safeguard the public interest, all costs incurred by, or on behalf of the Council are subsequently invoiced to the owners and are recovered as a debt.
- 1.5 Revised administration and management reporting arrangements have recently been implemented and these have been the main focus of this audit review.

## **2 AUDIT SCOPE AND OBJECTIVES**

Our approach was designed to initially ascertain, and gain familiarity with the procedures and segregation of duties that have been implemented.

Our work was designed to confirm by review, interview and testing:

- The initial procedures for dealing with reported Dangerous Buildings;
- The procedures for identifying owners;
- Administrative procedures for authorising invoices to contractors and compiling charges to property owners; and
- Reporting arrangements for outstanding debtors, and any required legal action,

## **3 RISK ASSESSMENT**

As part of the audit process the Council Risk Register was reviewed to identify any risks that potentially impact on this audit. The following risks were identified from the Strategic Risk Register on Pyramid:

- SR16 Failure to have a robust internal control process and system;

However, the over-riding risk inherent in the above is the Financial Risk of failing to collect all sums due to the Council for work undertaken on Dangerous Buildings.

#### **4 CORPORATE GOVERNANCE**

There are no Corporate Governance issues arising from this audit.

#### **5. AUDIT OPINION**

The new Administration system has been well developed to provide a much needed management information system to monitor the progress of expenditure incurred on Dangerous Buildings, through routine and legal debt recovery procedures. At the time of the audit review, development work was reaching its final phase whereby population controls needed to be fully established with the associated Creditors and Debtor systems, and the identification and structuring of reporting arrangements was yet to be determined.

#### **6 RECOMMENDATIONS**

There are 10 recommendations outlined in the Action Plan provided in Appendix 2; 6 are of high priority and 4 are of medium priority.

#### **7 ACKNOWLEDGEMENTS**

Thanks are due to the Building Standards Manager, the Performance & Business Manager, Administrative Supervisor, Administration Assistant and the Building Standards Officer in Rothesay for their co-operation and assistance during the audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

**APPENDIX 2      ACTION PLAN**

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	Any delay in reporting a Dangerous Building could have the risk of a collapse and/or potential risk of injury to members of the public.	<i>Medium</i>	Building Standards should contact the web team with the proposal that for public safety a contact number should be provided on the Council website in a prominent place.	Building Standards Manager	Completed 27 February 2012
2	In many cases, the additional 12% add-on to contractor costs in respect of the Council's costs, does not reflect a full charge out of the Building Standards staff's time or provide a sufficient margin for the administration services, particularly where legal action is required to cover the debt.	<i>Medium</i>	Consideration should be given to reviewing the basis of recovery of the Council's costs in relation to Dangerous Buildings, subject to any exclusion of enforcement costs.	Building Standards Manager	In progress 28 February 2012
3.	On completion of the work under the Building (Scotland) Act 2003, the local authority is required to register in the building standards register a completion certificate, certifying that the work has been completed in accordance with the original notice.	<i>High</i>	Building Standards procedures should be reviewed to ensure that completion certificates are prepared and registered for all cases where the Council has served a statutory notice.	Building Standards Manager	Completed 21 February 2012

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
4.	The Council's output VAT has been inflated where property owners have been wrongly charged VAT on statutory property repairs. (It is however important to note that any repairs arranged by the Council as agent on behalf of property owners is a business activity subject to VAT).	<i>High</i>	4.1 Completion of the VAT mis-declaration must be progressed, with care being taken to ensure that in all cases the building works have been carried out by the Council on a statutory powers basis rather than as agent for the property owners. When this mis-declaration is accepted by HMRC steps must be taken to repay property owners.	Finance Manager Customer Services Finance Team	31 March 2012
		<i>High</i>	4.2 Where property owners have been charged the VAT inclusive cost of building work, without separately identifying the VAT element included in the gross recharge, the overcharges should be credited or repaid to the property owners.	Performance & Business Manager	31 March 2012
5.	Further consideration should be given to the individual users needs to determine what information is required by each. This may require access to be granted to different users, to either the new Administration system or the Uniform system, on a 'processing' or 'view only' basis.	<i>Medium</i>	5.1 Consideration should be given to providing access to the new Administration System to the Building Control staff to enable them to monitor progress on the recovery of debts on buildings in their areas. This would potentially eliminate the need for paper reporting of progress, other than on an exception basis.	Performance & Business Manager	30 June 2012

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
		<i>Medium</i>	5.2 Consideration should be given to giving administration staff access to the Uniform system to minimise queries being referred back to Building Standards staff.	Building Standards Manager	28 February 2012
6.	As a management information system the new Administration system can only be wholly effective if the information contained therein is complete.	<i>High</i>	Complete the development of population controls with the associated Debtors and Creditors systems and Legal.	Performance & Business Manager	30 April 2012
7.	As with all new systems it is important to determine the information requirements of all users to ensure that appropriate management decisions are made using accurate and up to date information.	<i>High</i>	The structure and regularity of reporting progress on cases from the new Administration system should be defined by Building Standards and agreed with the Performance & Business Manager	Building Standards Manager	28 February 2012
8.	Arising from the write-off of debts in connection with building or demolition work on dangerous properties, it has been recognised that there is no regular reporting and monitoring of the progress on legal pursuit of debts.	<i>High</i>	The structure and regularity of reporting progress on debts being pursued by legal services requires to be defined by Building Standards and formalised.	Building Standards Manager	21 February 2012