

Governance, Risk and Best Value Committee

10.00am, Tuesday, 8 May 2018

Internal Audit Report – Building Standards March 2018

Item number 7.2

Report number

Executive/routine

Wards

Council Commitments: [Commitment 13 - Planning Enforcement](#)

Executive Summary

The purpose of this paper is to present the outcomes of the Internal Audit (IA) review of Building Standards (BS) to the Committee, as a copy of the final report will be provided to the Scottish Government (SG) Building Standards Division (BSD).

Internal Audit work commenced in advance of a planned SG BSD visit in November 2017, with the objective of confirming whether the recommendations included in the SG BSD April 2017 report had been adequately addressed and were supported by appropriate evidence. The Internal Audit review concluded in March 2018, and confirmed that whilst some progress was evident (an uplift in Q3 operational performance was reported to the Planning Committee in March 2018), further action was required to address remaining significant control gaps. Consequently, 5 High and 1 Advisory rated IA findings were raised. The final SG BSD report was received in March 2018 and includes seven recommendations (2 Fundamental; 3 Significant; and 2 Improvement) for improvements in systems and controls, and also noted five areas of good practice.

The Council's BS Verifier status has been extended by the SG for one year, subject to working with a SG external improvement team for a year to ensure satisfactory implementation of SG BSD recommendations. BS management has welcomed this collaborative approach. BS is now making progress towards addressing the findings raised by both SG BSD and IA through delivery of the detailed continuous improvement plan that was prepared in response to both reviews, whilst maintaining focus on improving operational performance.

Progress to date was reflected in the briefing provided to all Elected Members on 2 May 2018.

Internal Audit Report – Building Standards March 2018

1. Recommendations

- 1.1 The Committee is recommended to note the outcomes of the March 2018 BS review, and the progress being made by BS towards addressing the findings raised by both the SG BSD and IA.
- 1.2 The Committee is recommended to note that a copy of the final report will be shared with SG BSD.

2. Background

- 2.1 The Council's BS service had been reviewed by the SG BSD in February 2017, and received a report in April 2017 detailing the outcomes. The report included 3 Fundamental and 1 Significant observations. Review of the SG BSD recommendations gradings confirmed that these are the equivalent of 3 High and 1 Medium rated IA findings.
- 2.2 After considering the SG BSD report outcomes, Scottish Ministers re-appointed the Council as a BS Verifier for one year from 1 May 2017 to 30 April 2018.
- 2.3 As a further SG BSD visit was scheduled for November 2017, the objective of the planned IA review was to assess whether the observations included in the SG BSD April 2017 report had been adequately addressed and were supported by appropriate evidence.
- 2.4 We also assessed the adequacy of the design and operating effectiveness of the key controls supporting Implementation and operation of the recently established 'virtual team' to support workload allocation and management; manual calculation of fees; and progress towards implementation of a new software solution to support Building Control operations.
- 2.5 Our work in relation to the SG BSD recommendations was completed in November 2017 and the outcomes shared with management in advance of their visit. The remainder of our work was completed in January 2018 and the final report issued in March.

3. Main report

- 3.1 Our final report concluded that whilst some progress was evident with implementation of the SG BSD recommendations, further action was required to

address the remaining significant control gaps. Consequently, 5 High and 2 Advisory IA findings were raised.

- 3.2 The key control gaps identified by IA related specifically to consistent execution and documentation of operational processes; application of quality assurance processes; customer information and engagement; SG BSD performance and operational framework compliance; workload allocation and management; and version controls supporting published documentation.
- 3.3 Our testing confirmed that whilst several changes had been made to operational processes as per SG BSD requirements, many of the processes had not been documented and were not being consistently applied. BS had also proactively sought to improve customer relations by implementing agent events and customer surveys, however, the results of these events had not been used most effectively to drive service improvements.
- 3.4 The report also acknowledged that BS management were fully aware of the control gaps identified and had been proactively working to address these. Management had also advised that their initial focus was on improving operational performance to ensure Scottish Government performance targets were achieved.
- 3.5 This is supported by the uplift in performance that was reported to the Planning Committee in March 2018. This demonstrated that performance in quarter three of 2017/18 for issuing first reports and warrants had substantially improved in comparison to previous quarters. Management recognises that further work is required to further improve these performance indicators to meet SG BSD performance framework targets.
- 3.6 The final SG BSD was received in March 2018 and includes 2 Fundamental; 3 Significant; and 2 Improvement rated recommendations (the equivalent of 2 High; 3 Medium; and 2 Low rated IA findings). The report also included 5 areas where good practice was evident.
- 3.7 These are aligned with the findings raised by IA, with the two fundamental findings highlighting the requirement for implementation of effective quality assurance processes and documentation of processes. The three significant findings related to turnaround times for first reports; customer satisfaction; and the strategy for improvement, whilst the two improvement rated findings reflected the need for improvements on guidance notes and desk instructions and business planning; resource modelling; and succession planning.
- 3.8 The findings raised by both the SG BSD and IA have been consolidated by management into a detailed continuous improvement plan for the service, and project management resource has been secured to support its implementation. Securing independent skilled project management resource is crucial in ensuring effective implementation of the plan as this enables management to focus on ongoing service delivery and operational performance whilst the necessary changes are implemented.

- 3.9 Management has also been proactively engaging with IA and has advised that many of the agreed actions included in the IA report have already been implemented. A number of these were due for completion in March 2018 and will be reviewed by IA in April as part of our established follow-up process.
- 3.10 Additionally, the 2018/19 IA plan includes 20 days of targeted IA time to focus on progress with implementation of both IA and SG BSD agreed actions.
- 3.11 The Council's BS Verifier status has been extended for by the SG for one year (to 30 April 2019) subject to the Council working with the Scottish Government Improvement Team from April 2018, and providing quarterly progress reports on their improvement programme to their Head of Building Standards. BS management has welcomed this collaborative approach and are currently working with SG to finalise a terms of reference.
- 3.12 A further update on Building Standards progress is included in the briefing that was sent to all Elected Members on 2 May 2018.

4. Measures of success

- 4.1 A robust BS service that is authorised by the SG as a BS Verifier; is fully compliant with the SG BSD operational framework requirements; and delivers an efficient and effective service to citizens.

5. Financial impact

- 5.1 Additional costs incurred by BS for project management resource.

6. Risk, policy, compliance and governance impact

- 6.1 Implementation of both SG BSD and IA findings will ensure compliance with SG BSD operational framework requirements, and that the Council's service delivery risk is effectively managed.

7. Equalities impact

- 7.1 None.

8. Sustainability impact

- 8.1 Delivery of a sustainable service that will effectively support delivery of approved building projects across the City of Edinburgh.

9. Consultation and engagement

- 9.1 The IA report was finalised in consultation with BS management; the Head of Place Development; and the Executive Director of Place.

10. Background reading/external references

- 10.1 [Item 7.1 - Planning and Building Standards Performance and Service Improvements](#)

Lesley Newdall

Chief Internal Auditor,

Legal and Risk, Resources Directorate

E-mail: lesley.newdall@edinburgh.gov.uk | Tel: 0131 469 3216

11. Appendices

Appendix 1 – Building Standards, Final Internal Audit report

Appendix 2 – Member’s Briefing on Building Standards Performance 23 April 2018

The City of Edinburgh Council

Internal Audit

Building Standards
Final Report

22nd March 2018

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2017/18 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2017. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there is a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate

1. Background and Scope

Background

The City of Edinburgh Council is the Scottish Government appointed Building Standards verifier for the Edinburgh region. Verifiers are appointed in accordance with Section 7 of The Building (Scotland) Act 2003. Their role is to undertake independent checks to confirm compliance with building regulations. This principally involves assessing and approving building warrant (BW) applications, undertaking checks and inspections when building work is carried out, and accepting completion certificates (CC) once work has been satisfactorily completed.

Verifiers are required to operate under the Scottish Government's Building Standards Verification Performance Framework (PF) which includes a range of key performance outcomes (KPOs) linked to the framework requirements.

The PF has also been supplemented with the 'Operating Framework for Building Standards Verifiers' (OF), which clarifies how PF requirements and KPOs can be achieved.

In December 2016, The Minister of Local Government and Housing wrote to the CEC Chief Executive raising concerns about the performance of the Council's Building Standards service based on evaluation of the quarterly statistical reports supplied by the Council to the Scottish Government's Building Standards Division (BSD).

The BSD subsequently visited the CEC Building Standards service in February 2017 to review the adequacy and effectiveness of their control environment in accordance with OF requirements.

A report detailing the outcomes of the visit ('Observation of the Operation of Verification Services') was issued on 7 April 2017. This contained 35 'detailed findings', 10 'areas requiring action' and 6 'recommended actions' which included 3 fundamental and 1 significant observations.

After considering the report outcomes, Scottish Ministers re-appointed City of Edinburgh Council as Building Standards Verifier from 1 May 2017 for a one year period up to 30 April 2018.

BSD revisited Building Standards on 7th - 8th November 2017 to re-assess current performance and progress with implementation of the findings included in the report.

The Council currently receives circa 5K BW applications and conducts between 10 – 13K inspections annually. A package of shared services was implemented in January 2017 with Aberdeen City and Argyll and Bute Councils, with the objective of transferring workload to these Councils during periods of high demand.

Scope

Our review primarily assessed whether the findings and recommendations made by BSD had been adequately addressed and were supported by suitable evidence in advance of their November visit.

We also assessed the adequacy of the design and operating effectiveness of the key controls supporting:

1. Implementation and operation of the recently established 'virtual team' to support workload allocation and management.
2. Manual calculation of fees (note that these were automated prior to a change in fees in July 2017), and
3. Progress towards implementation of a new software solution to support Building Control operations.

For the full terms of reference see [Appendix 2](#).

2. Executive summary

Total number of findings

Critical	-
High	5
Medium	-
Low	-
Advisory	1
Total	6

Summary of findings

Our review identified significant weaknesses in the design and control effectiveness of key operational controls supporting the delivery of the City of Edinburgh Council's Building Standards service.

Whilst some progress is evident with implementation of the Building Standards improvement plan designed to address the recommendations made by the Scottish Government's (SG) Building Services Division (BSD) in their April 2017 report, further action is required to address the remaining significant control gaps.

Building Control management have been responsible for implementation of significant technology and operational changes included in the improvement plan, whilst continuing to deliver building control services. It is clear that project management skills are required to facilitate implementation of the service delivery action plan, enabling operational managers to focus predominantly on delivery of services for citizens.

Additionally, the Enterprise technology system has not yet been fully implemented, which has impacted the efficiency of the service and production of workload management and performance management information. It is acknowledged that there is key dependency on ICT Solutions and CGI for full implementation of the system.

Our testing confirmed that a number of changes have been made to operational processes as per BSD requirements, however, many of these processes have not yet been documented and are not consistently applied. Building Standards has also proactively sought to improve customer relations by implementing agent events and customer surveys, however, the results of these events should be more effectively used to drive service improvements.

The key control gaps identified related specifically to consistent execution and documentation of operational processes and application of quality assurance processes; customer information and engagement; SG BSD performance and operational framework compliance; workload allocation and management; and version controls supporting published documentation.

Consequently, five 'High' and one 'Advisory' rated findings have been raised. These are detailed in [Section 3: Detailed findings](#).

It is acknowledged that management are fully aware of control gaps identified and had been proactively working to address these. Management has advised that their initial focus was on improving operational performance to ensure Scottish Government performance targets were achieved, and that whilst quality assurance remains an issue, there is strong awareness of quality

expectations within the team. However, it is essential to ensure that the recommendations from this report are implemented in conjunction with the Building Control action plan to address the SG BSD concerns.

Management has also confirmed that a number of recommendations have been completed since the audit was completed. Completed actions will be verified as part of the monthly Internal Audit follow-up cycle, and time has also been included in the 2018/19 Internal Audit plan to monitor progress with implementation of the Continuous Improvement Plan.

3. Detailed findings

1. Implementation of The Building Standards Continuous Improvement Programme

Findings	
<p>Skilled project management resource and support from ICT Solutions is required to facilitate effective implementation of the service delivery transformation plan (including full implementation of the Enterprise technology system) and enable management to focus on delivery operational Building Standards services.</p> <p>Whilst, an action plan had been created to address the Scottish Government's Building Standards Division recommendations and was in the process of implementation at the time of our review, dates provided to the BSD in response to their findings had already been missed.</p> <p>It is essential to ensure that implementation of the improvement plan is effectively managed by a dedicated resource, to ensure that subsequent implementation dates agreed with the Scottish Government's Building Standards Division (BSD) following their November visit are achieved.</p>	
Business Implication	Finding Rating
<ul style="list-style-type: none"> If the required service improvements identified by the BSD are not implemented within the agreed timeframe the Scottish Government may elect to not extend CECs verifier status. 	<div style="background-color: red; color: white; padding: 10px; width: 50px; margin: 0 auto;">High</div>

Action plans	
Recommendation	Responsible Officer
<ol style="list-style-type: none"> Skilled project management resource should be sourced to support effective and timely implementation of the Building Standards service delivery action plan; ICT should be engaged and a requirements specification designed and timeframes agreed to support full and effective implementation of the Enterprise System to support ongoing Building Standards service delivery; and Management should consider whether workload should be transferred to Aberdeen City and Argyll and Bute Councils as part of the existing shared services arrangements to enable sufficient time for full and effective implementation of the service delivery transformation plan and staff training. 	<p>Service Manager - Planning and Building Standards</p>
Agreed Management Action	Estimated Implementation Date

<p>1. A project manager has been provided by the Strategy and Insight Team. This will initially last until April 2017 with the intention to continue with this until the actions set out in the Detailed Continuous Improvement Programme are met. Weekly meetings are held between the project manager and service managers with monthly reporting to the Head of Service. – Action Complete</p>	<p>30 March 2018</p>
<p>2. ICT are working closely with the Council's IT provided, CGI, to deliver an up-to-date version of the document management and case management systems (Idox and Uniform) and their associated software systems and will ensure that these are delivered in Quarter 2 2018/19.</p>	<p>28 September 2018</p>
<p>3. Due to its own workload pressures, Aberdeen City Council, have had to withdraw from the shared services arrangement temporarily. The quantity of work being allocated to Argyll and Bute Council has been increased accordingly. This is being kept closely monitored to ensure any issues arising from the additional work are resolved. Management are finding out whether arrangements could be put in place with other councils to improve resilience and to help free up more time for staff to be trained and to allow staff more time concentrate on the delivery transformation plan. Initial workload review for Q4 is complete. Ongoing workload review will be completed on a quarterly basis.</p>	<p>30 April 2019</p>

2. Process and Quality Assurance

Findings

Our review confirmed that the following process and quality assurance recommendations made by the Scottish Government's Building Standards Division (BSD) in their April 2017 report had not been addressed by the agreed implementation date and that actions had not been fully implemented in advance of their November visit:

- Deemed Decisions, Determinations and Refusals - there was no established and documented process in place to ensure that deemed decisions for first reports, demolition, completion certificates and discharge/variation of continuing requirements were performed in line with applicable legislative requirements and the Scottish Government's Performance Framework for Verifiers;
- The deemed determination process for building warrants had not been implemented;
- Construction, compliance and notification plan (CCNP) - CCNP processes had not been reviewed since November 2015 to ensure alignment with Local Authority Building Standards Scotland (LABSS) guidance and to identify training needs. Additionally, no training had been completed since the BSD visit in February 2017 to increase staff awareness of CCNP requirements;
- 'Fast Track' process for disabled adaptations and applications less than £5K - there are no established controls to identify and prioritise applications that relate to disabled adaptations, and no documented procedures for dealing with them. There are also no clearly defined timescales for processing disabled applications via the fast track process within the new 'virtual team', and responsibility for processing refunds where a fee has been applied in error to a disabled adaptation is unclear. Additionally, the CEC website did not contain information regarding the provision of fast track applications or reduced fees for disabled adaptations;
- Quality Assurance (QA) - There was no effective and fully documented quality assurance process for building warrants, completion certificates and construction compliance and notification plans; and

Whilst QA is performed on first reports, this is not applied consistently, there is no documented

process support sample selection or recording of QA results. Additionally, there was no evidence that corrective actions were implemented or linkages identified between root causes of QA failures and gaps in staff training and awareness.

Business Implication	Finding Rating
<ul style="list-style-type: none"> Lack of documented processes leads to non-compliance compliance with the Scottish Government Performance Framework for Verifiers and legislation. Building standards staff are not aware of the LABSS construction compliance and notification plan guidance resulting in decisions which do not comply with legislation and the Scottish Government Performance Framework for Verifiers. Urgent building works required to make a building fit for disabled persons are delayed, and fees are applied in error. Inappropriate decisions may be made by members of staff who do not have the necessary qualifications or experience which are not identified by management resulting in non-compliance with the quality assurance aspect of the Scottish Government Performance Framework for Verifiers. If the required service improvements identified by the BSD are not implemented within the agreed timeframe the Scottish Government may not extend CECs verifier status. 	<div style="background-color: red; color: white; padding: 10px; width: 100px; margin: 0 auto;">High</div>

Action plans	
Recommendation	Responsible Officer
<ol style="list-style-type: none"> Documented procedures should be implemented for deemed determination of first reports, demolition, completion certificates and discharge/variation of continuing requirements in accordance with the requirements of the Operating Framework for Building Standards Verifiers. The deemed determination process for building warrants should be implemented and documented in accordance with the Operating Framework for Building Standards Verifiers. The construction compliance and notification plans procedure should be reviewed and updated to reflect current LABSS guidance and training scheduled for all staff to ensure awareness of construction compliance and notification plan requirements. A documented procedure should be implemented for the identification and processing of applications for disabled adaptations and the council website should be updated to provide information on fast tracking and fee relief for disabled adaptations. The quality assurance process for building warrants; completion certificates; and construction, compliance and notification plans should be designed, implemented and documented. This will include, but should not be restricted to sampling methodology; documentation of testing results and evidence of corrective actions taken. The process should be aligned to the requirements of the Operating Framework for building Standards Verifiers. 	Service Manager - Planning and Building Standards
Agreed Management Action	Estimated Implementation Date
<ol style="list-style-type: none"> A project to deliver a comprehensive and up-to-date procedures manual is underway. This has identified a full range of documents that need to 	Underway (31 March 2018 for completion)

<p>be included in the manual. So far 30% of 42 documents have been authored.</p>	<p>with team set up to review procedures on ongoing basis.</p>
<p>2. An MS Access report has been developed to allow deemed determination warning letters to be sent out to agents and applicants in cases where a first report has been issued but there has been limited activity to resolve the issues raised. From 31 January 2018, letters are now being issued. – Action Complete</p>	<p>30 March 2018</p>
<p>3. The whole process of CCNP and site inspection is being reviewed. This has developed a more streamlined method of preparing CCNP documentation which will highlight fewer work stages to be inspected but make clear that the site inspections that result are more comprehensive than at present. All staff have taken part in training on this and when the new process is ready to be implemented there will be further procedural training on that.</p>	<p>30 April 2018</p>
<p>4. As part of the development of the procedures manual, a document highlighting the process for disabled persons' adaptations is being prepared. This will set out the requirements for Transactions and Building Standards staff.</p>	<p>30 March 2018</p>
<p>5. A project to deliver robust quality assurance for the service is being developed. This will broaden out checks that are already being carried out at the plan reporting stage to ensure that these cover all staff and are randomised. In addition, quality assurance processes will be developed to review cases at post decision stage. This process will go hand in hand with the development of the procedures manual with feedback from the quality assurance checks being fed into regular reviews of procedural documentation. Where thematic issues emerge, staff training will be provided. If the quality assurance processes establish issues with individual ways of working, this will enable corrective action to be undertaken.</p>	<p>28 December 2018, Internal Audit will review progress on an ongoing basis</p>

3. Customer Information and Engagement

Findings

Our review confirmed that the following Building Standards publication and customer engagement recommendations made by the Scottish Government's Building Standards Division (BSD) in their April 2017 report had not been addressed by the agreed implementation date and that actions had not been fully implemented in advance of their November visit:

- Version control – whilst an updated version of the National Customer Charter has been added to the Council website this is linked to a Local Customer Charter from 2015 and was not prominently displayed on the Council's Building Standards webpage. Additionally, version control is not adequately embedded in the documents published on the CEC Building Standards webpages as only one of the documents viewed contained a version history, version number and last review date;
- Performance data and complaints guidance - the Council website does not contain the latest data on Building Standards performance or guidance on customer complaints;
- Review of published documentation - there is no clearly defined procedure or timeframe for review and refresh building standards webpages or published documentation;
- Customer feedback - only 3 agent feedback events were held during 2017-18 in comparison to 6 planned events, and no documented feedback or internal action plan was available for 2 of them. An action plan had been developed to address feedback from one agent event held on the 20th of June 2017, however this did not contain details of responsible officers and timeframes for

implementation, and no evidence was available to confirm implementation of the agreed actions;

- There was no available evidence demonstrating that the CEC Building Standards action plan developed to transform service delivery was linked to customer feedback from the National Customer Survey of Building Standards; and
- Post warrant feedback surveys had not been implemented.

Business Implication

Finding Rating

- Published documents are not aligned with the latest Performance and Operating Framework and legislative requirements and do not reflect current internal processes;
- The level of data published on the Council's website may not be compliant with the Performance Framework and Scottish Government's BSD expectations;
- Increased customer dissatisfaction, complaints and eventually non-compliance with the Scottish Government's Performance Framework for Verifiers and Key Performance Outcomes; and
- If the required service improvements identified by the BSD are not implemented within the agreed timeframe the Scottish Government may elect to not extend CECs verifier status.

High

Action plans

Recommendation

Responsible Officer

1. Version control should be added to all published documents in accordance with the Council's Records Management Policy requirements and Scottish Government BSD expectations;
2. The local customer charter should be updated to reflect current targets, legislation, councillors and contact details;
3. The council website should be updated with new performance reports as these become available;
4. Information on customer complaints and how to make a complaint should be added to the councils building standards webpages or links added to the council's complaints process;
5. A documented process should be implemented to ensure the content of the councils building standards webpages are reviewed and refreshed at least annually;
6. Feedback following agent events and customer surveys should be documented and an action plan prepared and implemented to address customer concerns. The action plan should contain timeframes for implementation of actions and responsible officer details and evidence of implementation retained;
7. The CEC Building Standards improvement plan should be reviewed to ensure it is aligned with customer feedback from the National Customer Survey of Building Standards and feedback from agency reviews; and
8. Post warrant surveys should be implemented in line with the response provided to the Scottish Government.

Service Manager -
Planning and Building
Standards

Agreed Management Action

Estimated

	Implementation Date
1. Version control has been added to all new documents and will be added to future documentation. – Action Complete	30 March 2018 (IA Review)
2. The Customer Charter will be updated when it is next scheduled for review.	31 May 2018
3. The Building Standards webpages are updated 3 monthly with performance reports. Ongoing.	28 September 2018 (IA review)
4. A weblink to the Council's complaints webpage is being added to the Building Standards homepage.	30 March 2018
5. A documented process for website review will be prepared.	30 April 2018
6. Feedback from all agent events has now been documented. Main themes emerging were related to performance and communications. These are being addressed within the detailed continuous improvement programme. A "You said – We did" will be put on the building standards webpage.	30 March 2018
7. As noted in 6 above, the detailed continuous programme is being updated to reflect customer feedback.	30 March 2018
8. Post warrant surveys have been implemented. However so far, feedback has been very limited. As part of a review of the format and content of decision notices that is being undertaken as part of the wider CCNP review, the way in which the feedback for post warrant is highlighted will be amended with the aim of improving uptake.	30 April 2018 (IA Review)

4. Scottish Government Performance and Operating Framework Compliance

Findings

Our review established that the Council's Building Standards performance is not consistently reviewed to confirm whether targets specified in the Scottish Government's (SG) Building Standards Performance Framework for Verifiers covering the Professional Expertise and Technical Processes; Quality Customer Experience; and Operational and Financial Efficiency key performance outcomes are achieved.

Consequently, the root causes of poor performance are not consistently identified and action plans developed and implemented to address performance issues. Additionally:

- The CEC 'Building Standards – Operational Procedures' document has not been revised in accordance with the Operational Framework for Building Standards Verifiers;
- Performance Management Information - design issues were identified that affected the accuracy of the reported first report 20 days target data.
- There is no documented procedure to ensure complete and accurate collection and collation of data from various sources for timely submission of KPO returns;
- Contingency Arrangements - there is currently no clearly defined process for implementation of contingency arrangements to deal with periods of high demand. Reported performance temporarily increased during Q1 2017-18 and shared working arrangements with Aberdeen and Argyll and Bute Councils were suspended. These arrangements were reintroduced in Q2 when reported performance declined;
- There was no evidence of quarterly updates, balanced scorecards and continuous improvement being submitted during financial year 2016-17. Additionally, an extension was requested for the Q1 2017 KPO submission; and

- The CEC website did not contain performance reports, balanced scorecards and continuous improvement plans for 2016-17 or the performance report for Q1 2017-18.

Business Implication	Finding Rating
<ul style="list-style-type: none"> • Service performance issues are not identified and actioned in a timely manner and are further exacerbated in periods of high demand; • KPO targets for performance and customer expectations may not be achieved in accordance with the Operating Framework targets and BSD expectations; • KPO information cannot be compiled in a timely and efficient manner and could be incomplete and / or inaccurate; • Quarterly statistical reports cannot be delivered on time to the BSD; and • If the required service improvements identified by the BSD are not implemented within the agreed timeframe the Scottish Government may elect to not extend or CECs verifier status. 	<div style="background-color: red; color: white; padding: 10px; width: 100px; margin: 0 auto;">High</div>

Action plans	
Recommendation	Responsible Officer
<ol style="list-style-type: none"> 1. Contingency arrangements should be defined, agreed, documented and implemented to support the service during periods of high demand, this may include the use of overtime, agency staff and shared service arrangements; 2. A documented procedure should be established detailing the relevant data sources and compilation process required to complete the quarterly KPO returns; 3. Performance data sources should be periodically reviewed and validated to ensure reports are complete and accurate following changes to the systems and reporting requirements; 4. Performance data should be added to the council website and updated with new performance reports as these become available; 5. A reporting timetable should be developed and implemented to ensure that KPO returns and Performance Reports are produced and reviewed prior to submission to the Scottish Government within the permitted timeframe; and 6. Opportunities to streamline the process of KPO report compilation should be investigated in line with potential enhancements to the Enterprise system. 	Service Manager - Planning and Building Standards
Agreed Management Action	Estimated Implementation Date
<ol style="list-style-type: none"> 1. Contingency arrangements are in place for overtime, shared services and agency staff. These arrangements will be documented. 2. The process for quarter returns to Scottish Government has been documented. – Action Complete 3. Staff have been trained on the MS Access and Excel reporting process to ensure resilience in this area (completed by 31 December 2017). A process for reviewing these reports will be developed. 4. Performance data is added to the Council’s website every 3 months. 	<p>30 March 2018</p> <p>30 March 2018 (IA Review)</p> <p>30 March 2018</p> <p>28 September 2018 (IA review)</p>

5. A reporting timetable will be developed and implemented to ensure that KPO returns and Performance Reports are produced and reviewed prior to submission to the Scottish Government within the permitted timeframe and this will be added to the procedure in (2) above.	30 March 2018
6. The MS Access and Excel reports that are being used to records quarterly KPO stats will be replicated in Enterprise once the new case management system. However, in the interim, the MS Access and Excel reports are robust, provide accurate information and are simple to use. Therefore, delivery of these with Enterprise is not considered essential by Management at this time. – Action Complete	30 March 2018

5. Workload Allocation and Management

Findings

Our review confirmed that Building Standards workload allocation and management recommendations made by the Scottish Government's Building Standards Division (BSD) in their April 2017 report had not been addressed by the agreed implementation date and that actions had not been fully implemented in advance of their November visit. Specifically:

- Whilst the 'Enterprise System' has been implemented, it is not fully operational and management reports enabling effective oversight of workflow allocation and workflow management information cannot be generated;
- Work is allocated based on the professional judgement of line managers and spreadsheets linked to the Idox Uniform system used to manage building standards applications. The spreadsheets are used to track the volume and value of cases allocated to surveyors according to their staff grade. This is in contrast to documented procedures which state that work allocation should be based on a risk assessment procedure accounting for 12 factors including staff qualifications and experience, level of fee, complexity and risk associated with the work involved;
- Variations in the number of cases and values were identified between the workloads of staff at the same grade;
- Team members in the virtual team self-select their workload from pending applications. Whilst the virtual team service managers review the overall status of workload allocation and the number of outstanding applications, the current virtual team allocation process does not consider the complexity of applications or qualifications and experience of staff; and
- The current workload allocation process does not support identification and resolution of training needs.

Business Implication

- Workflow allocation and management cannot be effectively monitored this resulting in inappropriate caseloads, applications being allocated to staff with insufficient expertise, missed Key Performance Outcomes and insufficient staff time to complete the required site visits and quality assurance activities;
- The risks associated with ineffective workflow management are exacerbated by a quality assurance process which is not sufficiently embedded.
- Training needs are not identified and resolved; and
- If the required service improvements identified by the BSD are not

Finding Rating

High

implemented within the agreed timeframe the Scottish Government may elect to not extend CECs verifier status.

Action plans	
Recommendation	Responsible Officer
<ol style="list-style-type: none"> 1. Workflow management reports should be developed and implemented to enable management to appropriately allocate applications. 2. The workload allocation process should be reviewed, implemented and regularly monitored to ensure that a consistent workload allocation approach is applied by Team Leaders that considers the qualifications, experience, workload and performance of staff across all teams. 	Service Manager - Planning and Building Standards
Agreed Management Action	Estimated Implementation Date
<ol style="list-style-type: none"> 1. Management reports have been developed using MS Access and MS Excel. These enable managers to accurately track their team's work and ensure they can see allocations, workload and progress of particular cases. These reports have been adapted for individual members of staff. Both sets of reports are proving successful and allowing all staff to better monitor workload. As with quarterly reporting of KPO stats, because of the success of the MS Access and Excel reports, the delivery of these reports on Enterprise is not considered essential at this time, however it is intended to implement these by End 2018. A skills matrix is to be developed and implemented to allocate cases to appropriately skilled staff. 2. As part of the implementation of MS Access and Excel reports in (1) above, the monitoring of workload within teams and across the service has become more consistent. Coupled with the managers' knowledge of individual staff experience and qualifications, work is being allocated more evenly. – Action Complete 	<p>29 June 2018</p> <p>30 March 2018 (IA Review)</p>

6. Unsupported software and manual calculation of fees

Findings	
<p>Applications are submitted to the e-government website which is interfaced with CEC's Idox Uniform system that is used to manage applications. The version of Uniform used by Building Standards is not supported and has not been updated to reflect changes in fees, resulting in manual calculation of fees by transactions team members. Actual fees are then manually entered into the Uniform system. Fees are then quality checked on a sample basis by the Team Leader and Transactions Officer. Whilst, the quality assurance controls in place were found to be effective, the fee application process is not efficient and requires extensive manual intervention.</p> <p>As the version of Uniform used by Building Standards is no longer supported there is a risk it may not be compatible with future changes to the eBuilding Standards portal.</p>	
Business Implication	Finding Rating
<ul style="list-style-type: none"> • The manually calculated application fees are incorrect thereby leading to lost revenue or overcharging of citizens. • Additional resources are required to manually calculate fees and implement quality assurance. • Uniform may not be compliant with new legislative requirements, and citizens may be unable to submit applications electronically with an 	<div style="background-color: #e0e0e0; padding: 10px; display: inline-block;"> Advisory </div>

adverse impact on customer experience.

Action plans

Recommendation	Responsible Officer
1. Investigate options to upgrade existing Idox Uniform software to ensure that the system is compliant with new legislative requirements and revised fee structure, and implement these changes as part of the Building Standards Continuous Improvement Programme.	Service Manager - Planning and Building Standards
Agreed Management Action	Estimated Implementation Date
1. The new Uniform system to be deployed by end September 2018 will the case management system is up-to-date in relation to legislative requirements including fee scales.	30 Sep 2018

Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

Appendix 2 – Terms of Reference

Place

Terms of Reference – Building Standards

To: Paul Lawrence
Executive Director of Place

From: Lesley Newdall
Chief Internal Auditor

Date: 17th October 2017

Cc: Michael Thain, Head of Place Development
David Givan, Service Manager - Planning and Building Standards (East)
John Inman, Service Manager - Planning and Building Standards (West)

This review is being undertaken as part of the 2017/18 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2017.

Background

The City of Edinburgh Council is the Scottish Government appointed Building Standards verifier for the Edinburgh region. Verifiers are appointed in accordance with Section 7 of The Building (Scotland) Act 2003. Their role is to undertake independent checks to confirm compliance with building regulations. This principally involves assessing and approving building warrant (BW) applications, undertaking checks and inspections when building work is carried out, and accepting completion certificates (CC) once work has been satisfactorily completed.

The Council currently receives circa 5K BW applications and conducts between 10 – 13K inspections annually.

Verifiers are required to operate under the Scottish Government's Building Standards Verification Performance Framework (PF) which includes a range of key performance outcomes (KPOs) linked to the framework requirements.

The PF has also been supplemented with the 'Operating Framework for Building Standards Verifiers' (OF), which clarifies how PF requirements and KPOs can be achieved.

In December 2016, The Minister of Local Government and Housing wrote to the CEC Chief Executive raising concerns about the performance of the Council's Building Standards service based on evaluation of the quarterly statistical reports supplied by the Council to the Scottish Government's Building Standards Division (BSD).

The BSD subsequently visited the CEC Building Standards service in February 2017 to review the adequacy and effectiveness of their control environment in accordance with OF requirements.

A report detailing the outcomes of the visit ('Observation of the Operation of Verification Services') was issued on 7 April 2017. This contained 35 'detailed findings', 10 'areas requiring action' and 6 'recommended actions' which included 3 fundamental and 1 significant observations.

After considering the report outcomes, Scottish Ministers re-appointed City of Edinburgh Council as Building Standards Verifier from 1 May 2017 for a one year period up to 30 April 2018.

A further visit has been arranged by BSD for 7th - 8th November 2017 to re-assess current performance and progress with implementation of the findings included in the report.

Scope and approach

Our review will primarily assess whether the findings and recommendations made by BSD have been adequately addressed and are supported by suitable evidence in advance of their planned November visit.

We will also assess the adequacy of the design and operating effectiveness of the key controls supporting:

1. Implementation and operation of the recently established 'virtual team' to support workload allocation and management.
2. Manual calculation of fees (note that these were automated prior to a change in fees in July 2017), and
3. Progress towards implementation of a new software solution to support Building Control operations.

Limitations of Scope

Our scope will be limited to the areas detailed above. Consequently, we will not provide full assurance over compliance with applicable legislation or compliance with the Scottish Government's Building Standards Verification Performance and Operating Frameworks.

Approach

Our audit approach is as follows:

- Obtain and review the Scottish Government's (SG) 'Observation of the Operation of Verification Services' report to understand the actions required by the Building Standards Service Area;
- Obtain and review evidence provided by the Building Standards Service Area and assess whether this will be sufficient to meet SG expectations;
- Identify the key risks associated the Building Standards virtual team workload management and manual fee calculation processes;
- Evaluate the design of the controls in place to address the key risks; and
- Test the operating effectiveness of the key controls (where appropriate).

The sub-processes and related control objectives included in the review are:

Sub-process	Control Objectives
<p>Follow-up on Scottish Government Building Standards - Detailed Findings and Recommended Actions</p>	<p>The Council's Planning and Building Standards service has implemented the following actions to address the Scottish Government BSD detailed findings and recommended actions:</p> <ul style="list-style-type: none"> • Introduction of management reports from the 'Enterprise System' which document workload and performance levels. • A process to manage deemed determination where building warrant applications are deemed to be refused if a first report is not issued within a period of 3 months from the date of receipt of application or applications are not determined within 9 months after the issue of first report and completion certificates are deemed to be refused if they are not accepted within 14 days of certificate submission, unless agreed otherwise. • A Process for allocation of received applications based on qualifications and expertise of BSS team members that also supports identification and resolution of training needs. • Introduction of a formal quality assurance process to check the accuracy of outcomes of BW application decisions and CC submissions, based on random sampling, with results documented and remedial action taken where required.

	<ul style="list-style-type: none"> • Review of the Construction, Compliance and Notification Process in conjunction with staff survey feedback for identification and subsequent implementation of process enhancements and training (e.g. policy development, staff training). • Completion and return of the Continuous Improvement Plan (CIP) to support quarterly KPO returns to the Scottish Government BSD. • Review and introduce version control on all published documents, in particular the Customer Charter. • Review the level of data published on the website to include performance rates and guidance on customer complaints about Building Standards issues. • Review literature to manage and inform customer expectations. • Consider re-introducing 'Fast Track' for BW under £5,000 and BW applications to undertake work to a dwelling to make it suitable for a disabled person. • Issue of first reports not meeting 20 days target
KPO Compliance	<p>The Council has established procedures to ensure compliance with the following Key Performance Outcome (KPO) requirements:</p> <ul style="list-style-type: none"> • Verifiers should have systems in place to support the accurate and timely collection and reporting of performance data against KPOs to the Scottish Government. • Performance should be assessed against targets for the relevant KPOs. Issues should be identified and actioned on an ongoing basis. KPOs should be reviewed every three years and any required changes to KPOs, targets and/or timescales should be implemented in order to maintain continuous improvement.
Other Scottish Government Requirements	<ul style="list-style-type: none"> • The council has complied with the following re-appointment terms of Building Standards Verifier: <ol style="list-style-type: none"> 1. A detailed report, outlining how the weaknesses identified in the BSD visit report will be prepared and submitted to the Scottish Government by 30 April 2017. 2. The City of Edinburgh Council's continuous improvement plan will include action to address the following performance aspects: <ul style="list-style-type: none"> ➤ Consistency and level of turnaround times for issuing first reports, follow-up reports and Building warrants ➤ Level of customer satisfaction with the verification service ➤ Level of investment of Building warrant fee income into the verification service ➤ Quarterly reporting to the Scottish Government ➤ The council has documented processes to ensure compliance with requirements documented in the Operating Framework. ➤ The council reviews and updates the building verification performance report at least quarterly, publishes it prominently on its website and submits the report to the Scottish Government as per applicable timelines.
Virtual team	<ul style="list-style-type: none"> • Confirm that controls implemented to support the operation of the 'virtual team' are adequately designed to support workload allocation and management.

Application Fee Calculation	<ul style="list-style-type: none"> Assess adequacy and effectiveness of controls established to ensure completeness and accuracy of manually calculated application fees.
New Software Solution	<ul style="list-style-type: none"> Confirm that the Building Standards Team Service Area is prioritising and progressing with implementation of a new software solution to improve efficiency and effectiveness of Building Control operations.

Internal Audit Team

Name	Role	Contact Details
Lesley Newdall	Chief Internal Auditor	lesley.newdall@edinburgh.gov.uk 0131 429 3216
Dheeraj Shekhar	Auditor	dheeraj.shekhar@edinburgh.gov.uk 07753458625
Callum Justice	Auditor	callum.justice@edinburgh.gov.uk 0131 469 3158

Key Contacts

Name	Title	Role	Contact Details
Paul Lawrence	Executive Director – Place	Review Sponsor	0131 529 7325
Michael Thain	Head of Place Development	Key Contact	0131 529 2426
David Givan	Service Manager - Planning and Building Standards (East)	Key Contact	0131 529 3679
John Inman	Service Manager - Planning and Building Standards (West)	Key Contact	0131 469 3721

Timetable

Fieldwork Start	19 October 2017
Fieldwork Completed	17 November 2017
Initial Discussion – Draft Observations (BSD Audit Readiness)	1 November 2017

Follow up process

Where reportable audit findings are identified, the extent to which each recommendation has been implemented will be reviewed in accordance with estimated implementation dates outlined in the final report.

Evidence should be prepared and submitted to Audit in support of action taken to implement recommendations. Actions remain outstanding until suitable evidence is provided to close them down.

Monitoring of outstanding management actions is undertaken via monthly updates to the Director and his executive assistant. The executive assistant liaises with service areas to ensure that updates and appropriate evidence are provided when required.

Details of outstanding actions are reported to the Governance, Risk & Best Value (GRBV) Committee on a quarterly basis.

Appendix 1: Information Request

It would be helpful to have the following available prior to our audit or at the latest our first day of field work:

- A sample Building Warrant, Construction Compliance and Notification Plan (CCNP) and Completion Certificate

- Building Standards Verifier reappointment letter, including any terms/requirements of reappointment
- Action Plan submitted to BSD after their review report dated 7 April 2017
- The list of periodical statistical reports submitted to BSD/Scottish Government detailing the performance of Building Standards service and a latest copy of those reports.

This list is not intended to be exhaustive; we may require additional information during the audit which we will bring to your attention at the earliest opportunity.

MEMBERS BRIEFING

BUILDING STANDARDS PERFORMANCE

MONDAY, 23 APRIL 2018

1. On 10 April 2018 the Minister for Local Government and Housing, Kevin Stewart MSP advised that the City of Edinburgh Council would be appointed as building standards verifier from 1 May 2018 for a further year subject to the full engagement with an Improvement Team and demonstrable in year performance improvement.
2. In discussion with the Scottish Government, the Council is in the process of appointing an Improvement Team of external advisers to provide additional advice, guidance and support to improve the performance of the Building Standards Service.
3. The Improvement Team advisers are:
 - **Len Murray** – Len has worked in local government for 42 years with 40 years in Building Standards. He has worked for Angus Council as Building Standards Manager for almost 30 years. He is a chartered Building Surveyor for 30 years and served as Secretary of SABSM (Scottish Association of Building Standards Managers) between 2005 and 2010. He also served on BSAC (Building Standards Advisory Committee) from 2008 until 2010. He has experience of Customer Service Excellence and ISO 9001:2015 (Quality Management Systems) and holds a formal audit qualification on ISO 9001:2015 and Agile Project Management.
 - **Russell Cartwright** – Russell has worked in local government for 35 years. In 1996 he was appointed as Principal Building Control Officer at South Lanarkshire Council. In 2005 he was appointed as Building Standards Manager at Falkirk Council until he was appointed as Acting Head of Environmental & Regulatory Services until he retired from local government in 2016. Russell is a member of RICS (Royal Institution of Chartered Surveyors) and holds a BSc (Hons) in Fire Risk Engineering.
 - **Steve Quinn** – Steve’s expertise lies in change management. He has worked in the public and private sectors. Steve has worked throughout the UK and internationally, having completed projects in North America, the Middle East, Egypt, Africa, Bermuda and in mainland Europe. He has worked with local authority building standards services in the past. Steve is a member of the NHS Scotland Coaching panel, administered by NHSES, and holds graduate and master’s qualifications from Strathclyde University.
4. Len, Russell and Steve will work alongside the Council’s Building Standards Team and support the service improvement project. Their experience, insight and advice will make an invaluable contribution to the Council’s efforts to improve the service.
5. The first task of the Improvement Team will be to review the service improvement plan with a view to submitting a revised plan to the Scottish Government by the end of May 2018.

6. Significant improvement has been made since early 2017. In the last quarter the service responded to 74% of initial building warrant applications within the target timescale 20 days. 98% of initial applications for projects under £50,000 are now processed within the target timescale. At its lowest point towards the end of 2016 the service was responding to 10% of applications within the target timescale.
7. Improvement actions have included establishing partnership arrangements with Aberdeen and Argyll and Bute Councils to provide additional capacity to process applications. New staff have been recruited, including to new posts specifically designed to encourage recruitment from recently qualified graduates. A new dedicated team has been established to process applications for projects under £50,000 following a review of systems and processes.
8. Other work has taken place to update procedures and guidance, engage customers and involve staff in the process of improvement. There is still a considerable journey to take but there is confidence that the service is on an improving track though admittedly from a very low base.
9. On 17 August 2017 Planning Committee considered a report on the improvement plan for the building standards service. Since then further audits of the service have been undertaken by both the Scottish Government's Building Standards Division and the Council's Internal Audit team. Reports on these audits and the services improvement plans are due to be considered by the Council's Governance, Risk and Best Value Committee and Planning Committees in May.
10. Priorities for the service include improving timescales, quality assurance guidance and processes, customer engagement and staff development.
11. For further information please contact Michael Thain, Head of Place Development on 0131 529 2426 or at michael.thain@edinburgh.gov.uk or David Givan, Planning and Building Standards Manager on 0131 529 3679 or at david.givan@edinburgh.gov.uk.