

LAND INFORMATION MEMORANDUMS INTERNAL AUDIT

PURPOSE

The purpose of this report is to advise the Audit and Risk Committee of the outcome of the internal audit of Land Information Memorandums.

RECOMMENDATIONS

That the Audit and Risk Committee:

1. Receive the report; and
2. Note the outcome of the internal audit and the agreed corrective action.

BACKGROUND

1. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its strategic priorities and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
2. The audit was completed as part of the revised 2016/17 internal audit programme.
3. The objective of the audit was to assess compliance with S44A of the Local Government Official Information and Meetings Act (LGOIMA) and to evaluate processes for the efficient and effective management of Land Information Memorandum (LIM) applications.

SUMMARY

4. Internal Audit's opinion is management control is effective.
5. The risks in processing LIMs are effectively managed in that once the LIM application is loaded in Ci – Property & Rating, the process is work flowed to respective staff for their input and review. The Business Support and Administration team are then responsible for finalising and distributing the LIM ensuring the statutory time frame is met. A LIM is only processed when a complete application and payment has been received.
6. The issue raised is of a low priority and relates to ensuring that the fees charged for a LIM cover the costs involved in preparing the LIM. Currently the fees charged cover two hours of preparation, but there is no data / information available to determine actual inputs into the preparation process.

ATTACHMENT

#4936947 – Internal Audit Report Land Information Memorandums (LIM)

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MANAGER INTERNAL AUDIT

Report approved by: Roy Baker
GENERAL MANAGER CORPORATE SERVICES AND CHIEF FINANCIAL OFFICER

Land Information Memorandums (LIM)

Internal Audit

June 2017

Executive Summary

Opinion on management control

Effective¹

This report details the audit observations and recommendations from the land information memorandum (LIM) internal audit. The objective of the audit was to assess compliance with S44A of LGOIMA and evaluate processes for the efficient and effective management of LIM applications. The focus was on LIM applications received in the period 1 January to 31 May 2017. The audit background and scope is detailed in **Appendix A**.

A person may apply to a territorial authority for the issue of a land information memorandum in relation to matters affecting any land in the district of the authority. S44A of the Local Government Official Information and Meetings Act (or LGOIMA) sets out the matters to be included in a LIM.

	2013/14	2014/15	2015/16	2016/17
LIM Revenue	\$154,825	\$194,759	\$184,659	\$191,872
LIMS Processed				
Residential	257	268	353	368
Residential – Urgent	282	350	239	217
Non-Residential	17	29	22	33
	556	647	614	618

The risks in processing LIMs are effectively managed in that once the LIM application is loaded in Ci – Property & Rating, the process is work flowed to respective staff for their input and review. This review process involves staff from various teams – Building Consents, Land Use, Resource Consents, Property and Environmental Standards, where required. These teams are responsible for locating the required information based on the draft LIM, eg plans, engineering drawings etc. and verifying the information is complete and related to the required property. The Business Support and Administration team are then responsible for finalising and distributing the LIM ensuring the statutory time frame is met. A LIM is only processed when a complete application and payment has been received.

As part of the RSVP project opportunities have been identified which will be considered as part of the project to improve the efficiency of the current LIM process and the customer service experience. These opportunities include the introduction of on-line payments and improving how the data/information is extracted to limit the multiple touch points and teams involved in extracting the information.

The issue raised is of a low priority and relates to ensuring that the fees charged for a LIM cover the costs involved in preparing the LIM. Currently the fees charged cover two hours of preparation, but there is no data / information available to determine actual inputs into the preparation process.

Final report distribution list:

- Chief Executive
- General Manager – PPRS
- General Manager – Corporate Services / CFO

¹ The controls are in place and are working well. The controls are being performed in the manner for which they are designed to mitigate the risk. No or minimal scope for improvement has been identified.

Audit Observations

The following table summarises the key issues identified for improvement during the course of the audit, **categorised according to their level of priority**. Audit observations are detailed later on in the report along with the associated risks, recommendations and managements' agreed action plans.

It is important to note that all changes and improvements that result from the audit should be fully documented, reviewed and approved.

Observations / Recommendations	High	Moderate	Low
1. LIM application fees <i>Fees require reviewing to ensure they are relevant and reflective of the costs of processing a LIM.</i>			✓

Priority Key

High Significant improvements required	Immediate corrective action is required (within 6 months). These recommendations relate to a serious weakness which exposes the Council to a material extent in terms of achievement of Council's objectives, financial results, operational efficiencies, legislative compliance or otherwise impair the Council's reputation.
Moderate Improvements are necessary	Corrective action is required (within 6 - 12 months). These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness which could undermine the system of internal control or operational efficiency.
Low Some improvements required	Corrective action is required, (12 to 18 months.) A weakness which does not seriously detract from the system of internal control or operational efficiency but will be beneficial to management to address.

Audit Observations

1. LIM application fees <i>Fees require reviewing to ensure they are relevant and reflective of the costs of processing a LIM.</i>		Low															
Lim application fees are: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Type of LIM</th> <th>2016/17</th> <th>2017/18</th> </tr> </thead> <tbody> <tr> <td>Standard Residential</td> <td>\$333.50</td> <td>\$343.50</td> </tr> <tr> <td>Standard Non-Residential</td> <td>\$451.00</td> <td>\$464.50</td> </tr> <tr> <td>Urgent Residential</td> <td>\$395.00</td> <td>\$407.00</td> </tr> <tr> <td colspan="3">After two hours of compilation, additional time required is charged at \$143.50 per hour (2016/17 = \$139.50)</td> </tr> </tbody> </table>			Type of LIM	2016/17	2017/18	Standard Residential	\$333.50	\$343.50	Standard Non-Residential	\$451.00	\$464.50	Urgent Residential	\$395.00	\$407.00	After two hours of compilation, additional time required is charged at \$143.50 per hour (2016/17 = \$139.50)		
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<p>Except for the annual fee increases of 3% (as per the 2015 – 2025 LTP), the last fee adjustment was in 2013/14 when the cost of providing a Certificate of Title with a LIM was included. And although the approved fees allow for an additional charge after two hours of compilation only one LIM (non-residential) in the period under review included an additional charge for processing of 12.25 hours.</p> <p>Per discussion with staff it was identified that no record is kept of the actual time utilised to process an individual LIM. They did however indicate that they thought the time would be less than two hours but this could not be substantiated.</p> <p>It was also noted that LIM revenue is reported in the Fees and Charges against cost centre 405 – Building Compliance, and there is no distinction between the various revenue streams in the monthly reports to assist with monitoring and analysis.</p>																	
Risks <ul style="list-style-type: none"> Fees for the provision of LIMs do not cover the cost of providing the service, which has a significant private benefit. Inability to report and manage the various revenue streams. 																	
Recommendations Management should: <ol style="list-style-type: none"> Undertake a costing breakdown, as part of the upcoming LTP preparation, to ensure fees are relevant and cover the cost of providing the service (ie staff time, overheads (eg system support) and consumables). 																	
Management action plan		Responsibility															
a) As part of preparing the next LTP and setting fees and charges for 2018/19, PPRS will work with finance to assess the LIM fees.		Manager, Business Support & Administration															
		Due date															
		30 June 2018															

Appendix A – Audit Background and Scope

Introduction

As per the revised 2016/17 audit programme, an audit on Council's processes and controls for managing LIM applications was completed in June 2017.

A person may apply to a territorial authority for the issue of a land information memorandum in relation to matters affecting any land in the district of the authority. S44A of the Local Government Official Information and Meetings Act (or LGOIMA) sets out the matters to be included in a LIM.

A land information memorandum is a collation of information from Council's records on matters affecting the land such as a history of building work, where pipes are, water supply, rates and a lot more. Most people want a LIM because they are considering buying a residential or commercial property and want to find out as much as possible about the property.

Objectives

The audit assessed compliance with S44A of LGOIMA and evaluated processes for the efficient and effective management of LIM applications. The focus will be on LIM applications received in the period 1 January to 31 May 2017.

Scope

The scope of the audit placed emphasis on core processes, policies and procedures and included:

- the receiving and recording of applications;
- the collation of information;
- fee setting, invoicing and collection; and
- finalising and issue of the LIM.