

# SHROPSHIRE COUNCIL AUDIT SERVICES

## INTERNAL AUDIT REPORT

### CORPORATE LANDLORD - ESTATE MANAGEMENT 2016/17

<b>Assurance Level</b>	<b>Unsatisfactory</b>
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<b>Customer</b>	<b>Steve Law – Strategic Asset Manager</b>
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<b>Distribution</b>	<b>Mark Salt - Estates Team Leader Tim Smith- Head of Business Enterprise and Commercial Services George Candler – Director Place and Enterprise James Walton - Head of Finance, Governance and Assurance (Section 151 Officer)</b>
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<b>Auditor</b>	<b>Mark Seddon</b>
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<b>Fieldwork dates</b>	February and March 2017
<b>Debrief meeting</b>	16 <sup>th</sup> March 2017
<b>Draft report issued</b>	24 <sup>th</sup> March 2017
<b>Responses received</b>	21 <sup>st</sup> April 2017
<b>Final report issued</b>	21 <sup>st</sup> April 2017

## **Introduction and Background**

1. As part of the approved internal audit plan for 2016/17 Audit Services have undertaken a review of Estate Management.

The Strategic Asset Manager has provided the following context on the Corporate Landlord model:

‘Shropshire Council’s Cabinet made a decision to implement a Corporate Landlord model in 2015, with financial approval having been given at Full Council. The process of implementation took place in financial year 2015/16 whereby budgets totalling £12,528,080 on specific subjectives were reallocated from directorate service areas to the Corporate Landlord. The full implementation of the model was envisaged to take between three and five years and the responsibility for budget management of income and expenditure moved across to the Assets and Estates team. Among the key reasons for the implementation was consolidation and better management of estates related budgets. It was recognised that property related income was not being managed effectively in the service areas. The process of implementation is still ongoing with systems and processes still being implemented to address and improve property management and efficiency.

This audit is undertaken on the basis that the new model is in its infancy with significant reconciliation still ongoing and systems being developed to tackle previous poor property management’.

2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Audit Services would like to express their thanks to the officers who assisted during the course of the audit.

## **Scope of the Audit**

4. The scope, incorporating the objectives of the audit, was agreed with key contacts at the commencement of the audit.

To review the procedures and processes operated by the Corporate Landlord Team and to inform the ongoing development of the Corporate Landlord Model.

5. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved:
  - There are adequate procedures in respect of the functions of the Corporate Landlord Service.
  - There are adequate processes in operation where a lease has been granted by the Council.
  - There are appropriate processes in operation where a lease has been taken out by the Council.

- There are appropriate processes in operation for processing invoices and recovery of arrears.
- There are appropriate processes in operation for the acquisition of properties.

6. The audit was delivered on time and within budget.

**Audit Opinion**

7. An opinion is given on the effectiveness of the control environment. This indicates the level of assurance that can be given based upon testing and evaluation of the system. This opinion will be reported to the Audit Committee and will inform the Annual Governance Statement which is included in the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

As a result of the evaluation and testing of the controls that are in place in the areas examined, from work undertaken Audit Services are able to give the following assurance opinion:

<b>Unsatisfactory</b>	The system of control is weak and there is evidence of non-compliance with the controls that do exist.
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8. Responsibility for the maintenance of a sound system of internal control rests with management. The audit process is designed to provide a reasonable chance of discovery of material weaknesses in internal control by means of sample testing. It cannot however guarantee absolute assurance against all material weaknesses, the overriding of management controls, collusion, or instances of fraud or irregularity.

9. Audit recommendations are rated Fundamental, Significant, Requires Attention or Best Practice according to their level of priority. Details are included in the Exception Report attached at **Appendix 1** and the Action Plan attached at **Appendix 2**. Implementation of these recommendations will serve to address the risks identified and enhance the procedures that are currently in place. The following table summarises the number of recommendations made in each category:

<b>Total</b>	<b>Fundamental</b>	<b>Significant</b>	<b>Requires Attention</b>	<b>Best Practice</b>
19	1	8	10	0

10. The review identified the following areas where appropriate management controls were in place and operating satisfactorily and, upon which, positive assurance can be given:

✓	There are adequate procedures in respect of the functions of the Corporate Landlord Service.
✓	There are appropriate processes in operation for the acquisition of properties.

11. The audit work identified a number of significant issues and one fundamental issue leading to the following recommendations:

- The data in 'Technology Forge' should be reviewed and brought up to date. In particular the information on the spreadsheet 'databases' of leases and properties should be reviewed against the information in 'Technology Forge' and corrections should be made as required to produce a single complete and accurate record of all leases and properties.
- The filing system in respect of leases information and correspondence should be reviewed to enable documentation and correspondence to be retrieved on a timely basis on request.  
It should be ensured that the correspondence filed on Officer's Microsoft Outlook archives is saved to the shared network drive on a timely basis to ensure that it is readily retrievable.  
The filing of correspondence and documentation on the 'Technology Forge' system should be progressed as is practical.
- The reconciliation from the spreadsheets of leased properties and units to the leases and amounts invoiced in SAMIS should be progressed and completed. There should be clear evidence on the spreadsheets that the reconciliation has been carried out and who has carried out the review. It is suggested that a screen print is obtained from SAMIS as evidence of the amounts invoiced. Any discrepancies discovered as a result of this action should be reviewed in a timely manner.
- Procedures should be introduced to verify that the lease income invoices are raised each month in SAMIS are as expected, accurate and in accordance with the terms of the agreed lease. Should it not be possible to introduce an automated process and resources are not available, consideration should be given to a risk based approach which also ensures that all invoices and properties are checked on a periodic basis.
- The work to ensure that the information in the database of lease details spreadsheets is complete, accurate and up to date should be progressed to enable the accurate and complete information to be transferred to the 'Technology Forge' system.
- The spreadsheet of leases taken out should be completed to indicate which service area and officer is responsible for receiving, checking and authorising invoices for payment. The spreadsheet should also be updated to provide an, 'at a glance,' guide of leases expiring and when they are due for renewal.
- The spreadsheet 'database' of leases taken out by the Council should be completed and checked to the agreements which the Council has with the Landlords. The information in 'Technology Forge' should be updated and reviewed against the spreadsheet 'database' of leases taken out to ensure that it is correct.
- The progress made by the Sales Ledger Team towards producing arrears monitoring reports for the Corporate Landlord Team in respect of all property leases should be monitored and when made available should be used to control the overall levels of arrears. (Recommendation directed to the Debt Recovery Team Leader)
- The spreadsheet 'database' of all properties maintained by the Corporate Landlord Team should be reviewed in conjunction with the Debt Recovery Team to ensure that the spreadsheet is complete and includes all properties as expected.

## **Audit Approach**

12. The approach adopted for this audit included:

- Review and documentation of the system.
  - Identification of key controls.
  - Tests of controls to confirm their existence and effectiveness.
  - Evaluation of the controls and identification of weaknesses and potential risks arising from them.
13. Internal Audit report by exception; the attached report at **Appendix 1** identifies only those areas where control evaluation and audit testing revealed control weaknesses and/or errors. Recommendations to improve controls or enhance existing practice are detailed against each exception and the associated risk, and are also included in the Action Plan at **Appendix 2**. A more detailed report covering all of the work undertaken can be provided on request. This will be, available in a working paper format.
14. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action that has been taken to address identified control weaknesses.

Ceri Pilawski  
Head of Audit

**INTERNAL AUDIT EXCEPTION REPORT FOR ESTATE MANAGEMENT 2016/17**

<b>Fundamental</b>	<b>Significant</b>	<b>Requires Attention</b>	<b>Best Practice</b>
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

<b>Audit Ref</b>	<b>Finding/ Observation</b>	<b>Implications/Risks</b>	<b>Rec No.</b>	<b>Rec Rating</b>	<b>Recommendation</b>
<b>Management Control Objective: There are adequate processes in operation where a lease has been granted by the Council.</b>					
2.1	<p>It was not practical to review an extended sample of leases because the information associated with individual leases including the lease, e-mail correspondence, 'CV' forms etc. are not readily retrievable. The information has largely been archived in the Officer's Microsoft Outlook. The filing to the 'shared network' drive folders is not up to date. Where correspondence has been saved to the network drive, the volume of the e-mails means that excessive time was required to locate the information required.</p> <p>It is a time consuming process to search all correspondence to locate the information required. It is</p>	<p>A failure to adequately file and be able to retrieve correspondence and documents on a timely basis could lead to documentation not being readily available in the event that it is required to respond to a query or a request resulting in wasted resources locating the information required.</p>	1	Significant	<p>The filing system in respect of leases information and correspondence should be reviewed to enable documentation and correspondence to be retrieved on a timely basis on request.</p> <p>It should be ensured that the correspondence filed on Officer's Microsoft Outlook archives is saved to the shared network drive on a timely basis to ensure that it is readily retrievable.</p> <p>The filing of correspondence and documentation on the</p>

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	acknowledged that it is the intention that documents and correspondence will be filed in the 'Technology Forge' system and will be more readily retrievable.				'Technology Forge' system should be progressed as is practical.
2.2	<p>A sample of ten lettings were selected to ensure that there is evidence of financial checks being carried out. It was identified that-</p> <ul style="list-style-type: none"> <li>• There was no evidence that a finance check had been carried out on three occasions when one would have been expected.</li> <li>• There was evidence that a finance check had been carried out on one occasion by the letting agent using a different credit rating company to that used by the Council and there was no evidence of an analysis, interpretation or recommendation based on the information in the report.</li> <li>• There was evidence that a finance check had been carried out on two occasions by the Shropshire Council Debt Recovery Team but there was no evidence of an analysis, interpretation or</li> </ul>	A failure to carry out a suitable financial check and retain evidence that this has been carried out could lead to criticism of the Corporate Landlord Team in the event that problems arise with a tenant making payments to the Council.	2	Requires Attention	It should be ensured that a finance or credit check is carried out and evidence is retained of the check on all prospective tenants before a lease is agreed. A formal process should be introduced in respect of the checks carried out by the Debt Recovery Team which should include a report containing an analysis of the information in the credit report and a recommendation to the Corporate Landlord Team.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	<p>recommendation based on the information in the report.</p> <ul style="list-style-type: none"> <li>• There was evidence that a finance check had been carried out on one occasion by the Shropshire Council Debt Recovery Team but there was no credit reference report available because the potential tenant was not a Company. There is no evidence that accounts or financial information have been requested from the potential tenant.</li> </ul>				
2.3	<p>The checks on prospective tenants to assess their credit status are carried out on an 'informal' basis. There is no formal checklist or task schedule to ensure that all appropriate checks are carried out as required. It is expected that the checks include as a minimum obtaining credit rating reports, any business rates arrears details, business plans in particular for new business, references from previous landlords.</p>	<p>A failure to consider introducing a checklist or task schedule to assess the financial status of prospective tenants could lead to some checks not being carried out which may result in a failure to obtain an appropriate deposit from the tenant or leases being agreed with tenants who have difficulty meeting payments as agreed.</p>	3	Requires Attention	<p>Consideration should be given to establishing a checklist or task schedule to ensure that appropriate checks are carried out on prospective tenants to assess their credit status. It is anticipated that the checks would at least include obtaining credit rating reports, details of business rates arrears, business plans, references from previous landlords etc.</p>
2.4	<p>The 'CV3 INC' forms are a key document to inform relevant service</p>	<p>A failure to review the format of the 'CV3 INC' forms could lead to</p>	4	Requires Attention	<p>The format of the 'CV3 INC' forms should be reviewed</p>



Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	<p>areas of the lease details and evidence that the lease has been authorised. The 'CV3 INC' forms have been redesigned but it is not clear why there are now two forms and a further slightly amended version for industrial units. It is accepted that not all sections of the form may be completed in all cases.</p> <p>The 'CV3 INC' forms which have been redesigned include a space for the Head of Estate Services or Strategic Asset Manager to sign, date and print their name but there is no space for the Surveyor or the Estates Team Leader to sign, date and print their name. It is not 'strictly' a requirement that the Surveyor or the Estates Team Leader have to authorise the 'CV3 INC' form but it is accepted as good practice to provide assurance to the Strategic Asset Manager prior to his authorisation of the lease.</p>	<p>confusion as to which version of the form should be completed and result failure to clearly record the lease and evidence that the lease has been authorised.</p>			<p>and consideration should be given to a process where there is only one version of the form. Where a section is not applicable on the form in respect of a particular lease this should be indicated by the Officer completing the form. Although it is not strictly a requirement consideration should be given to allowing spaces on the form to permit authorisation by the Surveyor and the Estates Team Leader together with the Strategic Asset Manager.</p>
2.5	<p>The Legal Services Team may accept a deposit from a tenant and post it to the General Ledger because either the account has not been set up in</p>	<p>A failure to update the 'Sales Ledger Periodic / Contract Income Invoice Request Form' could lead to the Debt Recovery Team not being</p>	5	Requires Attention	<p>The 'Sales Ledger Periodic / Contract Income Invoice Request Form' which is provided to the Debt</p>

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	<p>SAMIS or a check on the account number has not been carried out with the Debt Recovery Team.</p> <p>The 'Sales Ledger Periodic / Contract Income Invoice Request Form' provided to the Debt Recovery Team to instruct them to raise invoices to a tenant includes a section to record the deposit amount but the form does not require details as to whether or not the deposit has already been received, who has collected the deposit and where it has been posted in the General Ledger if applicable.</p>	<p>informed of when deposits have been collected and where they have been posted which may result in tenants being incorrectly invoiced for amounts they have already paid or wasted resources to find where the deposits have been posted in the General Ledger.</p>			<p>Recovery Team to instruct them to raise invoices to a tenant should be updated to ensure that the Debt Recovery Team are clearly informed of the deposit payable, if the deposit has already been received, who has collected the deposit and where it has been posted in the General Ledger if applicable.</p>
2.6	<p>The most recent completed and signed leases have been scanned and electronically filed but leases agreed some time ago will be hard copy documents stored in archiving.</p> <p>The Corporate Landlord Assistant is currently updating the spreadsheet 'database' of industrial unit's leases by creating a 'hyper link' from the spreadsheet to an electronic scanned copy of the lease. The task when completed for the industrial units will then be carried out on the main</p>	<p>A failure to obtain and make signed and completed leases readily retrievable will lead to not being able to readily check that the terms and conditions are in place as agreed and there will not be a single complete database of leases which may result in loses to the Council.</p>	6	Requires Attention	<p>The work to ensure that all leases are readily available and retrievable for all current lettings should be progressed including electronically filing copies of all leases. It should be ensured that the details in the lease including amounts chargeable and all terms and conditions agree with the current invoices and practices. The information in Technology Forge should be</p>

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	<p>schedule of leases/ CV forms.</p> <p>The work will ensure that there is an up to date lease available for all lettings which has been agreed to the amount being invoiced to the tenant. This will also enable the terms and conditions within the leases such as rent reviews etc. to be checked and monitored. The information including the scanned copy of the lease will then be transferred to the 'Technology Forge' system.</p>				<p>updated and the lease should be filed in the system.</p>
2.7	<p>There is work ongoing to transfer all property lease details to the 'Technology Forge' system but this is not complete and spreadsheets are currently being used as the most accurate 'database' record of the leases. At the time of the audit the spreadsheets were not complete and there was a significant amount of information to be completed and updated.</p>	<p>A failure to progress the current work on the database spreadsheets and 'Technology Forge' will lead to there being no complete, accurate and up to date record of all property leased which may result in losses to the council.</p>	7	Significant	<p>The work to ensure that the information in the database of lease details spreadsheets is complete, accurate and up to date should be progressed to enable the accurate and complete information to be transferred to the 'Technology Forge' system.</p>
2.8	<p>The data in the 'Technology Forge' system is not complete or accurate. The information held in the previous property system was simply</p>	<p>A failure to ensure that the data in 'Technology Forge' is complete, accurate and up to date will lead to poor records in the system and will</p>	8	Fundamental	<p>The data in 'Technology Forge' should be reviewed and brought up to date. In particular the information on</p>

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	<p>transferred to 'Technology Forge' with no data 'cleansing' carried out. A review of a download of the data from 'Technology Forge' identified that-</p> <ul style="list-style-type: none"> <li>• The description of the property within the individual property record are often different and no explanation could be provided,</li> <li>• The tenants in the industrial units do not always agree to those on the 'data base' spreadsheet of leases. The Officer responsible for the administration of the 'Technology Forge' system had not been copied into correspondence relating to the industrial units and so the information would be incorrect,</li> <li>• The records with a status of 'archive' need to be removed from the 'Technology Forge' system because they were no longer required,</li> <li>• The standard to which all records should be completed is illustrated by the records which have been reviewed and updated by the Officer responsible for the administration of the 'Technology Forge' system and have been</li> </ul>	<p>result in it not being possible to bring the system into full operation.</p>			<p>the spreadsheet 'databases' of leases and properties should be reviewed against the information in 'Technology Forge' and corrections should be made as required to produce a single complete and accurate record of all leases and properties.</p>

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	<p>identified as 'Shropshire Council'. However, the total number of records on the download of data from 'Technology Forge' are over 1,200 but only 18 records are considered to be completed to the standard required.</p>				
2.9	<p>There is a project plan in respect of the implementation of 'Technology Forge' to the 'Corporate Landlord' service. A review of the project plan as a result of the findings of the audit would suggest that the full completion of the project may not be realistic in the time scales set out in the project plan.</p>	<p>A failure to have a realistic project plan may lead to a failure to meet the deadlines which may result in criticism of the Corporate Landlord Team.</p>	9	Requires Attention	<p>The project plan in respect of the implementation of 'Technology Forge' to the 'Corporate Landlord' service should be revisited to provide a realistic time scale for the complete implementation of the project.</p>
2.10	<p>A 'CV3 INC' form is forwarded with a covering memo to the various service areas in the Council to ensure they are aware that a lease is to be granted i.e. Legal Services, Business Rates, Insurance Team, Periodic Invoicing and Premises Services.</p> <p>A completed 'CV3 INC' form which indicated that it had been circulated to relevant Service areas was available in all ten sample cases</p>	<p>A failure to retain and be able to retrieve the e-mail sent to the various service areas circulating the 'CV3 INC' form will lead to a lack of evidence that the service areas have been informed of the lease which could result in criticism of the Corporate Landlord Team in the event that there is an issue.</p>	10	Requires Attention	<p>It should be ensured that the e-mail which is sent to the various service areas circulating the 'CV3 INC' form is retained so that it is readily available in the event of an enquiry.</p>

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	<p>reviewed. However, the e-mail which was sent to the various service areas attaching the 'CV3 INC' form was not available to evidence that the 'CV3 INC' form had been sent in four out of the ten cases reviewed.</p>				
2.11	<p>The invoices to students in respect of accommodation are currently raised by the Debt Recovery Team. The Corporate Landlord Team have access to SAMIS and have received training to raise invoices. The invoices raised to students for accommodation are relatively straight forward to generate in SAMIS and all invoices are generally for the same amount. There would be the advantage that the Corporate Landlord Team have more knowledge of the student accommodation and could better manage the invoicing.</p>	<p>A failure to consider raising invoices in the Corporate Landlord team may lead to a missed opportunity to control and monitor invoices being raised.</p>	11	Requires Attention	<p>Consideration should be given to raising the student accommodation invoices within the Corporate Landlord Team.</p>
2.12	<p>The spreadsheet of student lettings was reviewed. Students may be returning to the accommodation and could previously have paid a deposit and this would be identified by a 'tick' on the spreadsheet. Alternatively if they are students new to the</p>	<p>A failure to check the receipt of student deposits and accurately complete the student lettings spreadsheet record could lead to a failure to identify where deposits have not been paid resulting in loses to the Council.</p>	12	Requires Attention	<p>The spreadsheet of student lettings should be reviewed to ensure that all new students who have paid a deposit in the current year have a date recorded next to their date to indicate that a</p>

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	accommodation they pay a deposit in the current year and this is identified by a date in the column which indicates that a check has been made to the amount received. However, a review of the spreadsheet identified some students new to the accommodation, where there was no date recorded raising questions over whether a deposit had been received.				check has been made to SAMIS to confirm payment of the deposit has been received. Any discrepancies identified should be resolved in a timely manner.
<b>Management Control Objective: There are appropriate processes in operation where a lease has been taken out by the Council.</b>					
3.1	<p>The leases which have been taken out by the Council are recorded on a spreadsheet 'database' of 'CV3 EXP' forms.</p> <p>The 'Technology Forge' system also includes a record of leases taken out by the Council. The 'Technology Forge' database has 174 records of leases taken out and the spreadsheet 'database' has 426 records. As a result no conclusions can be made regarding the completeness and accuracy of either the spreadsheet or the 'Technology Forge' data.</p> <p>Furthermore a review of the spreadsheet database identified that</p>	A failure to check and complete the records of leases taken out by the Council will lead to there being no master records of all leases taken out which could result in incorrect payments being made by the Council.	13	Significant	The spreadsheet 'database' of leases taken out by the Council should be completed and checked to the agreements which the Council has with the Landlords. The information in 'Technology Forge' should be updated and reviewed against the spreadsheet 'database' of leases taken out to ensure that it is correct.

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	<p>it was not complete and was missing data, including the amount payable per annum, the completion date and further details such as 'legal file reference' etc.</p> <p>There had been no check from the lease agreements taken out to the amounts actually been paid in SAMIS.</p> <p>The majority of the leases taken out will be new agreements as a result of renewals and rent reviews and as a result may still be being negotiated and are awaiting completion. It is not clear from the spreadsheet which leases taken out are renewals and which are new leases.</p>				
<b>Management Control Objective: There are appropriate processes in operation for processing invoices and recovery of arrears.</b>					
4.1	<p>The Debt Recovery Team receive instruction from the Corporate Landlord Team to raise periodic invoices to a tenant following the completion of a 'Sales Ledger Periodic / Contract Income Invoice Request Form'.</p> <p>A sample of ten lettings was selected</p>	<p>A failure to retain evidence that the Debt Recovery Team have been instructed in the correct manner to raise periodic invoices to a tenant will lead to a lack of evidence that the correct instructions have been provided in the event of a query and may result in criticism of the Corporate Landlord Team should it</p>	14	Requires Attention	<p>It should be ensured that evidence is retained and is readily available that the Debt Recovery Team have been instructed to raise periodic invoices in respect of a tenant. The instruction to the Debt Recovery Team should be made by</p>



Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	<p>from the database of lettings to ensure that there is evidence that the Debt Recovery Team have received adequate instruction to raise a periodic invoice.</p> <p>It was identified that on five occasions the instruction to the Debt Recovery Team to raise the periodic invoice was not available. It is accepted that in one case the rent is not due until October and the instruction will be provided to the Debt Recovery Team at a later date.</p> <p>On the five occasions where the instruction to the Debt Recovery Team to raise the periodic invoice was available, the 'Sales Ledger Periodic / Contract Income Invoice Request Form' had not been completed.</p>	<p>be the case that here has been an invoicing error.</p>			<p>completing and e-mailing the 'Sales Ledger Periodic / Contract Income Invoice Request Form' to them.</p>
4.2	<p>The Corporate Landlord Assistant is in the process of obtaining all leases and checking that the invoice has been set up correctly in SAMIS. The schedule of CV forms and the industrial unit's spreadsheets were reviewed and although the SAMIS</p>	<p>A failure to check and evidence that the amounts invoiced to tenants are in accordance with the agreed lease could lead to incorrect amounts continuing to be invoiced which may result in losses to the Council. The risk has already materialised and</p>	15	Significant	<p>The reconciliation from the spreadsheets of leased properties and units to the leases and amounts invoiced in SAMIS should be progressed and completed. There should be clear</p>

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	<p>account, rent per annum and the SAMIS payment amounts have been recorded for most leases there is no confirmation that a check has been carried out to SAMIS and the amounts invoiced agree to those stated on the lease.</p> <p>There is some evidence that a check of the amounts invoiced to the industrial units has been carried out. Three errors have been identified by the Corporate Landlord Assistant which may result in losses to the council if the amounts cannot be recovered. The full amounts have been invoiced to the tenants and the total for the three errors is approximately £55,000.</p>	<p>errors have been identified in invoices raised.</p>			<p>evidence on the spreadsheets that the reconciliation has been carried out and who has carried out the review. It is suggested that a screen print is obtained from SAMIS as evidence of the amounts invoiced. Any discrepancies discovered as a result of this action should be reviewed in a timely manner.</p>
4.3	<p>There are no procedures to monitor the lease income invoices raised on a monthly basis by SAMIS to ensure that they are correct against the 'master' records of all properties and what should actually be invoiced in accordance with the lease.</p> <p>The periodic invoicing system set up procedures in SAMIS are complex</p>	<p>A failure to verify lease income invoices generated by SAMIS each month could lead to an error going undetected which may result in a loss to the Council.</p>	16	Significant	<p>Procedures should be introduced to verify that the lease income invoices are raised each month in SAMIS are as expected, accurate and in accordance with the terms of the agreed lease. Should it not be possible to introduce an automated process and resources are</p>

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	<p>and there is a risk that incorrectly set up historic invoices may just stop being generated in any month. Previously invoices may have been set up to end at a certain date in accordance with the lease but many occupiers agreements simply 'roll on' although the invoices are now set up to run indefinitely until information is provided that a tenant has renewed the lease or left the premises.</p> <p>Due to the scale of the work it may not be practical to check that every invoice has been raised accurately each month and a 'risk' based approach may be appropriate. This would involve checking all 'stepped' leases and new leases as a priority each month. The next priority would be to check where the leases are ending. There would be a diary alert on 'Technology Forge' to identify these or the master spreadsheets could be searched. Finally there could be a check on all invoices as resources would allow and at least every six months. This would at least allow any errors to be identified within six months and then corrected.</p>				<p>not available, consideration should be given to a risk based approach which also ensures that all invoices and properties are checked on a periodic basis.</p>

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
4.4	The Debt Recovery Team hold regular meetings to discuss any property lease arrears with the Corporate Landlord Assistant and the Senior Estates Surveyor. As discussed with the Corporate Landlord Assistant and the Estates Team Leader, the meetings only discuss the position with regard to arrears in the industrial units because these are the most likely to have arrears and there is more of a turnover of occupants. It is not currently possible to extract a report from SAMIS of all outstanding balances associated with Corporate Landlord or any service area. The other debts apart from the units are identified as part of the Debt Recovery Team procedures and referred to the appropriate Surveyor in the Corporate Landlord Team as required.	A failure to receive accurate, timely and complete arrears monitoring reports could lead to ineffective monitoring of outstanding amounts which may result in losses to the Council.	17	Significant	The progress made by the Sales Ledger Team towards producing arrears monitoring reports for the Corporate Landlord Team in respect of all property leases should be monitored and when made available should be used to control the overall levels of arrears.  (Recommendation directed to the Debt Recovery Team Leader)
4.5	The Debt Recovery Team highlighted specific issues with certain tenant accounts which are now in the process of being resolved. However, the properties relating to two of these tenants accounts could not be agreed	A failure to review the completeness of the property records maintained by the Corporate Landlord Team could lead to properties not being recorded which will result in a lack of monitoring of the leases and loss	18	Significant	The spreadsheet 'database' of all properties maintained by the Corporate Landlord Team should be reviewed in conjunction with the Debt Recovery Team to ensure

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
	to the spreadsheet schedule of CV forms maintained by the Corporate Landlord Team.	of income associated with these properties.			that the spreadsheet is complete and includes all properties as expected.
4.6	A review of the spreadsheet database of leases taken out identified that it was not clear which Service Area and which officer within that Service Area was responsible for receiving, checking and authorising invoices for payment. Furthermore the expiry date and next review date had not always been completed to provide an 'at a glance guide' of the status of the leases.	A failure to provide information regarding where the responsibility for checking, paying and monitoring invoices which are due to expire could lead to invoices which are not received as expected not being identified which could result in budget pressures when they are received.	19	Significant	The spreadsheet of leases taken out should be completed to indicate which service area and officer is responsible for receiving, checking and authorising invoices for payment. The spreadsheet should also be updated to provide an, 'at a glance,' guide of leases expiring and when they are due for renewal.

**ACTION PLAN FOR ESTATE MANAGEMENT 2016/17**

<b>Rec Ref.</b>	<b>Rec No.</b>	<b>Recommendation</b>	<b>Rec Rating</b>	<b>Accepted Yes/No/Partially</b>	<b>Management Response</b>	<b>Lead Officer</b>	<b>Date to be Actioned</b>
2.1	1	<p>The filing system in respect of leases information and correspondence should be reviewed to enable documentation and correspondence to be retrieved on a timely basis on request.</p> <p>It should be ensured that the correspondence filed on Officer's Microsoft Outlook archives is saved to the shared network drive on a timely basis to ensure that it is readily retrievable.</p> <p>The filing of correspondence and documentation on the 'Technology Forge' system should be progressed as is practical.</p>	Significant	Yes	<p>The current filing arrangement is not a functioning document management system and its inadequacies are acknowledged. We will therefore be seeking guidance on the implementation of a fully functioning system as part of the IT and Digital Transformation Programme.</p> <p>In the meantime a Key Documents file/folder is to be set up on TF and the current filing system containing the CV report, CV memo, copy of legal document, Finance Credit Check Request Form and periodic income request form.</p>	<p>Steve Law</p> <p>Mark Salt</p>	<p>Sept 2018</p> <p>July 2017</p>

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					<p>A file note system will also be implemented to provide a summary of actions taken. Officers will be reminded to save emails and other correspondence/ documents to the filing system.</p> <p>Please note that TF is not a document management system and routine correspondence will not be filed on it, however, it will contain key documents.</p>		
2.2	2	It should be ensured that a finance or credit check is carried out and evidence is retained of the check on all prospective tenants before a lease is agreed. A formal process should be introduced in respect of the checks carried out by the Debt Recovery Team which should include a report containing an analysis of the information in the credit report and a	Requires Attention	Partially	A finance credit check is carried out by the Debt Recovery Team for all industrial unit lettings and a report is produced containing a summary of their findings. A copy of this report is saved on the filing system but it is accepted that this isn't	Mark Salt/Paul Hesp	July 2017

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/Partially	Management Response	Lead Officer	Date to be Actioned
		recommendation to the Corporate Landlord Team.			<p>always easy to find and it will be stored in the key documents folder in future.</p> <p>Credit checks on other lettings are usually carried out by the letting agent. Where this is done copies of credit checks will be obtained and filed in the filing system.</p>		
2.3	3	Consideration should be given to establishing a checklist or task schedule to ensure that appropriate checks are carried out on prospective tenants to assess their credit status. It is anticipated that the checks would at least include obtaining credit rating reports, details of business rates arrears, business plans, references from previous landlords etc.	Requires Attention	Yes	<p>The Debt Recovery Team use a company called Credit Safe to undertake commercial credit checks.</p> <p>In consultation with the Debt Recovery Team consideration will be given to the implementation of a formal credit check pro forma.</p>	Mark Salt/Paul Hesp	August 2017



Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/Partially	Management Response	Lead Officer	Date to be Actioned
2.4	4	The format of the 'CV3 INC' forms should be reviewed and consideration should be given to a process where there is only one version of the form. Where a section is not applicable on the form in respect of a particular lease this should be indicated by the Officer completing the form. Although it is not strictly a requirement consideration should be given to allowing spaces on the form to permit authorisation by the Surveyor and the Estates Team Leader together with the Strategic Asset Manager.	Requires Attention	Partially	Consideration has been given to producing one version of the form but two forms do work from an operational perspective in differentiating between those properties which fall under the Corporate Landlord remit and those properties which are not managed by the Corporate Landlord Team. I confirm the existing forms have been amended to make provision for an authorising signature by the Surveyor, the Estates Team Leader and the Strategic Asset Manager.	Mark Salt	Implemented
2.5	5	The 'Sales Ledger Periodic / Contract Income Invoice Request Form' which is provided to the Debt Recovery Team to instruct them to raise invoices to a tenant should be updated to ensure that the Debt	Requires Attention	Yes	Officers will review the process to see why it is not working as agreed.  In the meantime the Income Request Form	Mark Salt	Sept 2017

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/Partially	Management Response	Lead Officer	Date to be Actioned
		Recovery Team are clearly informed of the deposit payable, if the deposit has already been received, who has collected the deposit and where it has been posted in the General Ledger if applicable.			has been updated to show who has collected the deposit and where it has been posted to in the General Ledger.		
2.6	6	The work to ensure that all leases are readily available and retrievable for all current lettings should be progressed including electronically filing copies of all leases. It should be ensured that the details in the lease including amounts chargeable and all terms and conditions agree with the current invoices and practices. The information in Technology Forge should be updated and the lease should be filed in the system.	Requires Attention	Yes	<p>It is acknowledged that not all leases are currently available electronically but a paper copy is accessible although this does have to be retrieved manually.</p> <p>Leases will in future be stored electronically in TF.</p> <p>Work is in hand to scan all of the existing leases but due to the volume and scale of this task this work is anticipated to take until Feb 2018 to complete.</p>	Jane Kenyon/Ian Pugh	Feb 2018
2.7	7	The work to ensure that the	Significant	Yes	This work is ongoing	Mark	Dec 2017

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/Partially	Management Response	Lead Officer	Date to be Actioned
		information in the database of lease details spreadsheets is complete, accurate and up to date should be progressed to enable the accurate and complete information to be transferred to the 'Technology Forge' system.			and will be completed as soon as possible.	Salt/Kerrie Golder	
2.8	8	The data in 'Technology Forge' should be reviewed and brought up to date. In particular the information on the spreadsheet 'databases' of leases and properties should be reviewed against the information in 'Technology Forge' and corrections should be made as required to produce a single complete and accurate record of all leases and properties.	Fundamental	Yes	Following the implementation of the Corporate Landlord model this is work in progress.	Jane Kenyon/ Ian Pugh	Feb 2018
2.9	9	The project plan in respect of the implementation of 'Technology Forge' to the 'Corporate Landlord' service should be revisited to provide a realistic time scale for the complete implementation of the project.	Requires Attention	Yes	Whilst budgets have been transferred it is recognised that supporting processes will take time to deliver and the plan will be updated to reflect this.	Leela Cottey	June 2018

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2.10	10	It should be ensured that the e-mail which is sent to the various service areas circulating the 'CV3 INC' form is retained so that it is readily available in the event of an enquiry.	Requires Attention	Yes	Implemented.  All surveyors have been reminded of the process to be adopted.	N/A	Implemented
2.11	11	Consideration should be given to raising the student accommodation invoices within the Corporate Landlord Team.	Requires Attention	Yes	This will form part of a business case to seek improved financial support for the service.	Steve Law	July 2018
2.12	12	The spreadsheet of student lettings should be reviewed to ensure that all new students who have paid a deposit in the current year have a date recorded next to their date to indicate that a check has been made to SAMIS to confirm payment of the deposit has been received. Any discrepancies identified should be resolved in a timely manner.	Requires Attention	Yes	Whilst there has been financial support, this has lacked continuity and therefore a level of detailed expertise. This will form part of a business case to seek improved financial support for the service.	Steve Law	July 2018
3.1	13	The spreadsheet 'database' of leases taken out by the Council should be completed and checked to the agreements which the Council has with the Landlords. The information in 'Technology Forge' should be updated and reviewed against the	Significant	Yes	This work is ongoing and will be completed as soon as possible.	Jane Kenyon/ Ian Pugh	Dec 2017

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		spreadsheet 'database' of leases taken out to ensure that it is correct.					
4.1	14	It should be ensured that evidence is retained and is readily available that the Debt Recovery Team have been instructed to raise periodic invoices in respect of a tenant. The instruction to the Debt Recovery Team should be made by completing and e-mailing the 'Sales Ledger Periodic / Contract Income Invoice Request Form' to them.	Requires Attention	Yes	<p>Historically the CV report was the formal instruction to Finance which was implemented by Finance upon receipt of a completion memo from legal.</p> <p>When it was discovered that Finance were no longer acting upon CV reports an Income Request Form was devised which now acts as the instruction to Finance. This form is emailed to the Periodic Income Team and filed in the filing system.</p> <p>This process will be reviewed to see whether further improvements can be made and reduce any duplication of forms and</p>	Mark Salt	Sept 2017

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					information.  The Finance Team will be consulted to see whether they still want to receive copies of the CV report.		
4.2	15	The reconciliation from the spreadsheets of leased properties and units to the leases and amounts invoiced in SAMIS should be progressed and completed. There should be clear evidence on the spreadsheets that the reconciliation has been carried out and who has carried out the review. It is suggested that a screen print is obtained from SAMIS as evidence of the amounts invoiced. Any discrepancies discovered as a result of this action should be reviewed in a timely manner.	Significant	Yes	The interrogation of SAMIS is difficult to navigate and dedicated financial support is needed.  This will form part of a business case to seek improved financial support for the service.	Steve Law/ Tim Smith	July 2018
4.3	16	Procedures should be introduced to verify that the lease income invoices are raised each month in SAMIS are as expected, accurate and in accordance with the terms of the	Significant	Yes	This is a finance orientated task & will form part of a business case to seek improved financial support for the	Steve Law/ Tim Smith	July 2018

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		agreed lease. Should it not be possible to introduce an automated process and resources are not available, consideration should be given to a risk based approach which also ensures that all invoices and properties are checked on a periodic basis.			service.		
4.4	17	The progress made by the Sales Ledger Team towards producing arrears monitoring reports for the Corporate Landlord Team in respect of all property leases should be monitored and when made available should be used to control the overall levels of arrears.  (Recommendation directed to the Debt Recovery Team Leader)	Significant	Yes	Whilst this is a valid recommendation we are limited by the functionality of the present finance system and its reporting functionality (or lack thereof). It is predicted that the implementation of the new ERP will facilitate this requirement.	Paul Hesp	01/04/2018
4.5	18	The spreadsheet 'database' of all properties maintained by the Corporate Landlord Team should be reviewed in conjunction with the Debt Recovery Team to ensure that the spreadsheet is complete and includes all properties as expected.	Significant	Yes	TF will produce a report of all properties currently leased out & this will be checked against the information held by the Debt Recovery Team.	Mark Salt/ Paul Hesp	Sept 2017

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					The spreadsheet is a record of CV's. Properties "inherited" from other authorities on unitary will not therefore be included in the spread-sheet as no CV will have been generated in Estates.		
4.6	19	The spreadsheet of leases taken out should be completed to indicate which service area and officer is responsible for receiving, checking and authorising invoices for payment. The spreadsheet should also be updated to provide an, 'at a glance guide,' of leases expiring and when they are due for renewal.	Significant	Partially	TF should be the single complete and accurate record.  The spreadsheet has been expanded to address current deficiencies in TF. Once TF is fully operational the database should no longer be necessary, but in the meantime it will be expanded to include the recommendations.	Mark Salt/ Kerrie Golder	Sept 2017