



MALDON DISTRICT COUNCIL

INTERNAL AUDIT REPORT

MANAGEMENT OF PROPERTY
JANUARY 2022

| LEVEL OF ASSURANCE | |
|--------------------|---------------------------|
| Design | Operational Effectiveness |
| Moderate | Moderate |

IDEAS | PEOPLE | TRUST



| | |
|--|----|
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DISTRIBUTION

| Name | Job Title |
|----------------|---|
| Richard Holmes | Director of Service Delivery and Head of Paid Service |
| Frank Britt | Lead Assets & Maintenance Co-ordinator |
| Farley Norman | Interim Operations Manager |

REPORT STATUS LIST

| | |
|-----------------------|--------------------------|
| Auditors: | Stef Kempster |
| Dates work performed: | July 2021 - January 2022 |
| Draft report issued: | 12 January 2022 |
| Final report issued: | 20 January 2022 |

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

| | | |
|---------------|----------|---|
| Design | Moderate | Generally, a sound system of internal control designed to achieve system objectives with some exceptions. |
| Effectiveness | Moderate | Evidence of non-compliance with some controls that may put some of the system objectives at risk. |

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I FOR DEFINITIONS)

| | |
|--------|---|
| High | 1 |
| Medium | 3 |
| Low | 0 |

TOTAL NUMBER OF RECOMMENDATIONS: 4

BACKGROUND:

Maldon District Council has responsibility for various property assets including parks, leisure centres, open spaces, other buildings as well as the MDC offices. The assets are predominately managed via excel spreadsheets which hold information on leases, rental agreements, invoicing details and maintenance schedules.

GOOD PRACTICE:

- Budget reports are run quarterly which are discussed and approved by management on a monthly basis
- The Council monitor accounts which are credit monthly through the aged debt reports
- A central register of assets is maintained via the Uniform system which is used to run reports detailing the Council's assets

KEY FINDINGS:

- The Council does not have a process for the monitoring and completion of cyclical repairs that may be required under the Council leasing responsibilities and Uniform is not used to its full extent to ensure all relevant documentation relating to an asset is easily accessible (Finding 1 - High)
- The Council does not have any formal documented internal policies and procedures, which define the objectives of the department and roles and responsibilities of staff (Finding 2 - Medium)
- There is not a clear formal process in place to ensure that assets are regularly reviewed to ensure that they are efficiently utilised (Finding 3 - Medium)
- The actions required to be completed as part of the aged debtor process are not being undertaken (Finding 4 - Medium)

CONCLUSION:

Council assets are held centrally on Uniform with an Asset and Maintenance Co-ordinator in place to maintain oversight of managing properties. The Council maintains a central register of

assets as part of its Uniform system; however, this is not used to its full extent resulting in a lack of associated documentation relating to maintenance and leases held for each asset. Additional findings in respect of debts not being chased and a lack of guidance, protocols and strategy for managing property has led to moderate assurance able to be provided over both the design and operational effectiveness of the controls in place regarding the management of property.

DETAILED FINDINGS

RISK: REQUIREMENTS FOR CYCLICAL AND RESPONSIVE REPAIRS AND MAINTENANCE ARE NOT DEFINED, OR NOT ADHERED TO

| Ref | Significance | Finding |
|-----|--------------|---|
| 1 | High | <p>The Lead Assets & Maintenance Co-ordinator informed us that there is no programme for the completion of cyclical repairs that may be required under the Council's leasing responsibilities. Therefore, the Council are unable to provide assurance that its responsibilities under its leaseholder agreement are being identified and discharged for their 82 assets.</p> <p>A spreadsheet was developed in 2018 following the completion of surveys at the Council's properties and details the work required. The work at each property is broken down into priority levels with costings attached, totalling £437,529. However, we were informed that updates have not been made to this and staff are unaware if progress has been made against completion of the work. Staff stated that whilst there is a central register of assets (Uniform), it is not used sufficiently with corresponding documentation for assets such as leases and maintenance information, not consistently held on the system. Our review of leases identified:</p> <ul style="list-style-type: none"> • One lease had not been signed and therefore had no evidence of its approval • One lease stated that the annual rent was £1200 yet £5425 was being invoiced. We were informed that the rent charged of £5425 was actually correct following a rent review but that the lease itself had not updated <p>It is noted that the Council are looking to use SharePoint as their central register as it is more user friendly and will allow manager's access to individual user saved files.</p> <p>Additionally, whilst the Council has an agreement with Chubb to complete specific areas of work on its behalf, including the maintenance of fire alarms and fire extinguishers, there is no formal contract in place. We were provided with a tender document and were informed that, at the time this was procured (2013), when a bidder signed the Tender declaration form then this would suffice as the signed contract. It should be noted that this contract is due to end in 2023 with updated procurement practices now in place.</p> <p>Chubb provide quarterly reports of the work carried out and we did receive two reports dated 02/08/2021 and 19/02/2021 relating to maintenance work carried out by Chubb on the Council building at Princes Road. However, no evidence of work carried out on the Council's other assets was made available during the audit, and it is not clearly documented who has responsibility for maintenance at the respective assets. As noted above, corresponding documentation in relation to assets are not easily accessible for all assets.</p> <p>If a central database in relation to assets is not being maintained the Council is unable to ensure that assets are being maintained,</p> |

appropriate leases are in place and correct invoices are issued for costs incurred.

In addition, if the Council does not have a robust system in place to identify and respond to their cyclical repair responsibilities this will ultimately lead to increased reactive and responsive repairs at a higher cost.

RECOMMENDATION:

A) The Council should undertake a review of all the assets to ensure they are correctly recorded within the existing system so that accurate records can be migrated when needed.

B) The Council should review its assets portfolio to identify its responsibilities to undertake cyclical repairs. A programme of work should be drawn-up and prioritised which should be regularly monitored to ensure that the required work is appropriately scheduled and completed to satisfactory standards.

C) Where work is contracted out, the Council should ensure that procurement procedures have been appropriately followed and contracts have been authorised and recorded. Copies of all contracts should be retained centrally, and work completed by contractors should be monitored and checked and held with the respective asset on their central register.

MANAGEMENT RESPONSE:

Following the MDC Transformation 2019 the officer responsible for the above became short of available resource and has made attempts to collate the data within Microsoft Excel spreadsheets. This has not proven to be helpful and fallen below expectations in the following years. Looking at solutions within the marketplace which can range from, off the shelf software to software that is written specifically for one's needs are costly and not currently budgeted for are not an option.

Following recent talks internally, I've been informed of software that is already being used in other areas of the Council that can be adapted and would be a good starting point to build the definitive property asset database. The software is Freshservice Asset. The database would incorporate the key commercial information to allow us to monitor, audit, flag key decisions, maintenance tasks etc to name just a few, but would meet the recommendations as outlined above by our auditors. I'm making internal enquires (Jan 2022) to the key partners within MDC who are responsible for the software Freshservice and to understand the process of getting the database platform ready for raw data.

The Council has Contract Procedure Rules that were approved by Council in 2021, which document the procurement process and dedicated procurement officers are in place who check for compliance. There is mandatory procurement training for officers and additional training/support as identified. The Council has a contract register and contracts are held centrally, old documentation is also added where identified.

Implementation Date: August 2022 - Sooner starting date will be achieved to start new database on Freshservice Asset monitoring but will be a progressive rolling programme to add raw data to new platform. This is dependent on resources available and input from data received from third parties.

Responsible Officers: Farley Norman & Frank Britt

RISK: PROPERTY MANAGEMENT PROTOCOLS ARE NOT DEFINED, OR STAFF DO NOT ADHERE TO THEM

RISK: ROLES AND RESPONSIBILITIES FOR MAINTENANCE OF PROPERTIES ARE NOT CLEARLY DEFINED OR NOT UNDERSTOOD BY STAFF

| Ref | Significance | Finding |
|-----|--------------|---|
| 2 | Medium | <p>The Council does not have any formal documented protocols and procedures, which define the objectives of the Park and Asset Maintenance Team and roles and responsibilities of staff. As a result, the day-to-day operations of the team are not formally recorded clearly detailing who is responsible. As noted in Finding 1, responsibility for management and maintenance of properties and assets is not clearly defined.</p> <p>Failure to ensure that documented policies and procedures are in place could lead to a lack of ownership and accountability for key processes required to ensure the team meet their objectives. In addition, this could lead staff unnecessarily exposed in an event of any serious failures.</p> |

RECOMMENDATION:

A) The Council should arrange for an appropriate policy and procedure document to be drawn up to provide clear procedural guidance and details of the specific responsibilities within each role. This document should be readily accessible to all staff and should be subject to annual review or updated when processes are changed.

MANAGEMENT RESPONSE:

All roles on the establishment have a clear Job Description (JD). Each JD sets out the reporting lines for that role, the role purpose, key accountabilities, objectives, specific tasks and knowledge / qualifications required. All JD's along with structure charts are available on the internal system Freshservice for all staff to access without the need to request. The Parks and Countryside team have recently been issued with individual devices to enable them to access Freshservice and the network; any training to use these will be identified and delivered as necessary. Discussions will be held within the Park and Assets team to identify the day-to-day operations of staff including regularity and expected outputs and documented centrally. This will also strengthen our business continuity arrangements. The document will be reviewed annually in line with appraisals to ensure documented roles and requirements have been completed.

Objectives of the Park and Assets Team will be picked up as part of the development of the Asset Strategy and discussed within the planned working group noted in the management response for finding 3.

Implementation Date: June 2022

Responsible Officers: Farley Norman

RISK: THE COUNCIL DOES NOT IDENTIFY AND TAKE ACTION TO ADDRESS SURPLUS OR UNDERUTILISED ASSETS THE COUNCIL DOES NOT IDENTIFY AND TAKE ACTION TO ADDRESS SURPLUS OR UNDERUTILISED ASSETS

| Ref | Significance | Finding |
|-----|--------------|--|
| 3 | Medium | <p>There is no clear formal process in place to ensure that assets are regularly reviewed to ensure that they are efficiently utilised.</p> <p>An Asset Strategy has not been developed which details the assets of the Council and expectations of their use whilst establishing the expected benefits of the properties in question. This would enable the Council to review their assets in line with the strategy and make informed decisions as to the profitability and benefit of retaining assets. From this would stem the further policies, procedures and guidance noted within Finding 4.</p> <p>If there is no formal process in place to ensure that the Council's assets are reviewed to ensure they are efficiently utilised there is a risk that the Council could lose out on cash revenue and incur additional costs.</p> |

RECOMMENDATION:

- A) The Council should establish an Asset Strategy to enable them to succinctly define the benefits of their assets and introduce processes that allow them to identify potential users/uses of such assets, expectations from keeping them, costs of maintaining etc.
- B) As part of A) above, the Council should review the assets it holds to identify unused or underutilised resources with a view to redeploying or disposing. Regular (potentially annual) meetings should be undertaken specifically to review the assets and ensure these are being efficiently utilised in line with the strategy. These meetings should be minuted and hold an action plan.

MANAGEMENT RESPONSE:

Having spoken with the MDC officers within Assets & Commercial on the points raised we have agreed that we will start a working group within January/February 2022 to identify an MDC Assets Strategy regarding the use of its property. We will identify any risks or changes and ensure these are documented and if needed key decisions are made at appropriate Director level.

Implementation Date: April 2022

Responsible Officer's: Farley Norman, Steven Butcher & Frank Britt

RISK: INCOME IS NOT PROMPTLY AND ACCURATELY ALLOCATED TO ACCOUNTS

| Ref | Significance | Finding |
|-----|--------------|---|
| 4 | Medium | <p>As per the Council's aged debtors process, if an invoice has not been paid after 14 days after its due date stage 1 is a reminder to pay the invoice, if the debt is still outstanding after 28 days the account should be escalated to stage 2 which requires a second reminder to be issued. After a further 14 days the debt should then pass to stage 3 which involves involving legal and the Debt Collection Agency.</p> <p>There are computer generated reports which provide details of accounts which require action at stage 1 and stage 2. Manual intervention is required at stage 3 which involves a review of an aged debt report to identify accounts which require further action.</p> <p>We reviewed the August 2021 aged debt report and selected a sample of 10 accounts relating to use of land, leases and rent which were in debt, some of these accounts had more than one debt so a total of 15 invoices that were not paid in a timely manner were reviewed with debt totalling £33k.</p> <p>We identified the following:</p> <ul style="list-style-type: none"> • On 13 occasions, no stage 1 letter had been sent out despite the debt being overdue by 14 days • On 11 occasions, stage 2 had been implemented either after the 28-day period or there was no evidence this had been completed at all • On four occasions, the account was in stage 3 but there was no evidence of stage 1 or 2 being completed beforehand. However, it should be noted that stage 2 letters have subsequently been issued • On the 14 occasions that a stage 3 letter should have been sent, this has either not been sent or was sent after the required deadline. <p>Overall, on 14 out of 15 occasions the required process had not been completed in a timely manner and for six outstanding debts there has been no response and no further action taken.</p> <p>Where the required recovery procedure in relation to unpaid debts is not being adhered to or evidenced this could lead to the Council being unable to escalate unpaid debts and to more formal recovery involving the legal department which could mean debts remain unpaid and legal costs are unnecessarily incurred.</p> |

RECOMMENDATION:

A) The process for recovery of unpaid debts should be reviewed to ensure that the reports being used are fit for purpose and that action is taken in line with policy and is able to be evidenced within required timescales.

MANAGEMENT RESPONSE:

Prior to August 2021, various measures had been put into place to ensure a robust approach to the debt management process which included the introduction of the CreditHound system and solutions within the FreshService helpdesk portal. However, from May 2021 there followed extended periods of certificated long-term absence and maternity leave within the Casework team, coupled with training of new staff which contributed to the age-debt processes not meeting our usual standards for the month that was audited, resulting in the issues raised.

However, please note that resources within the Casework team has since returned to full establishment levels and processes are again up to date and being monitored to ensure compliance with our policy and processes.

Controls around this area include:

- Regular catch ups by caseworkers to identify outstanding tasks.
- This has been added as a standing item within the casework team meetings.
- New scheduled tickets within our Helpdesk system (FreshService) to ensure that the appropriate reports and tasks are picked up and completed.
- Daily updates run to identify where Stage 1 and Stage 2 letters need to be raised and dispatched.
- Liaison with managers prior to Stage 3 being undertaken

Implementation Date: Completed

Responsible Officer: Al Morrell

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

| Name | Job Title |
|---------------|--|
| Frank Britt | The Lead Assets & Maintenance Co-ordinator |
| Al Morrell | Resources Casework Manager |
| Jess Dawkins | Resources Caseworker |
| Simon Walker | Specialist: Finance |
| Simon Butcher | Commercial Manager |

APPENDIX I - DEFINITIONS

| LEVEL OF ASSURANCE | DESIGN OF INTERNAL CONTROL FRAMEWORK | | OPERATIONAL EFFECTIVENESS OF CONTROLS | |
|--------------------|--|---|---|---|
| | FINDINGS FROM REVIEW | DESIGN OPINION | FINDINGS FROM REVIEW | EFFECTIVENESS OPINION |
| Substantial | Appropriate procedures and controls in place to mitigate the key risks. | There is a sound system of internal control designed to achieve system objectives. | No, or only minor, exceptions found in testing of the procedures and controls. | The controls that are in place are being consistently applied. |
| Moderate | In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective. | Generally, a sound system of internal control designed to achieve system objectives with some exceptions. | A small number of exceptions found in testing of the procedures and controls. | Evidence of non-compliance with some controls that may put some of the system objectives at risk. |
| Limited | A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year. | System of internal controls is weakened with system objectives at risk of not being achieved. | A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year. | Non-compliance with key procedures and controls places the system objectives at risk. |
| No | For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework. | Poor system of internal control. | Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework. | Non-compliance and/or compliance with inadequate controls. |

RECOMMENDATION SIGNIFICANCE

| | |
|---------------|--|
| High | A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently. |
| Medium | A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action. |
| Low | Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency. |

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of this audit is to review the Council's arrangements in place for ensuring property is managed effectively and efficiently

KEY RISKS:

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the key risks associated with the area under review are:

- The Council does not have complete and accurate records of all its property assets including details of long term leases
- Requirements for cyclical and responsive repairs and maintenance are not defined, or not adhered to
- Property management protocols are not defined, or staff do not adhere to them
- Roles and responsibilities for maintenance of properties are not clearly defined or not understood by staff
- Tenants are not invoiced correctly and on a timely basis for rents due
- Income is not promptly and accurately allocated to accounts
- Income allocated to rent accounts is not reconciled to income systems and the ledger
- Accounts in credit are not subject to regular review
- Property records are dispersed or do not include all required information, which inhibits effective property management
- The Council does not identify and take action to address surplus or underutilised assets

SCOPE OF REVIEW:

The following areas will be covered as part of this review:

- Review the roles and responsibilities in place for the management of properties
- Determine how property information is stored and filed and is accessible for management purposes
- Review a sample of properties to determine if the property is being managed in line with its lease agreement (maintenance and repairs responsibilities)
- Review a sample of properties to determine if rental income is being invoiced correctly and in line with agreements in place
- Review the process for accounting for rental income
- Determine if agreements are commercially and strategically appropriate for long term leases
- Determine if there is regular review of assets to assess if these are being efficiently utilised
- Determine whether property information is stored appropriately (paper and electronic records)

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that

we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

BAF/CRR REFERENCE:

R15: Failure to plan and deliver balanced budgets over the medium term; R9: Failure to have a co-ordinated approach to supporting inward investment and maximising business rates growth; R23: Financial resource and process issues

FOR MORE INFORMATION:

Greg Rubins

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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