

FINAL INTERNAL AUDIT REPORT
CHIEF EXECUTIVES DEPARTMENT

PROPERTY MANAGEMENT AUDIT FOR 2014-15

Issued to: Mark Hume, Director of Regeneration and Transformation
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Prepared by: Senior Auditor (Wandsworth Council of behalf of LBB)

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REVIEW OF PROPERTY MANAGEMENT AUDIT 2014-15

INTRODUCTION

1. This report sets out the results of our systems based audit of Property Management. The audit was part of the programmed work specified in the 2014-15 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

AUDIT SCOPE

3. The scope of the audit is detailed in the Terms of Reference issued on 21st April 2015.

AUDIT OPINION

4. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

MANAGEMENT SUMMARY

5. The audit reviewed controls in the following areas: Policies and Procedures, Valuing and Marketing the Land/Property, Legal, Planning and/or Financial Advice, Method of Disposal, Decision Making Process and Completion of Sale. A sample of 10 disposals/sales was selected for review.

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6. No areas of concern were identified in the following areas:

Legal, Planning, Housing and/or Highways Advice;
Method of Disposal including proper evaluation and documentation of offers;
Decision Making to dispose of land/building, adequate responses to queries and authorisation of sale;
Completion including receipt of monies and updating the property terrier
Marketing of the proposed sale of land and buildings and that expressions of interest are followed up.

7. Stand alone procedures exist for Disposal by Tender, Disposals by Private Treaty and Disposals of Amenity Land that are accessible to relevant staff via a shared drive. There is also an Asset Management Strategy and Plan 2009/13 that has not been reviewed and updated due to other priorities. However, there is no overarching procedure that encompasses the whole process from defining land/property as being surplus to requirements through to disposal.

8. Independent valuations are not commissioned. Valuers within Strategic Property value the properties and provide estimates, and they do not consider that external valuations are required as properties are advertised on the open market, other than in special, and approved circumstances, and the offers received are analysed and will be indicative of the market value

SIGNIFICANT FINDINGS (PRIORITY 1)

9. None.

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DETAILED FINDINGS / MANAGEMENT ACTION PLAN

10. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

11. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>Asset Management Strategy and Plan The Asset Management Strategy and Plan 2009/13 has not been reviewed and updated since June 2009.</p>	<p>Where policies and plans have not been reviewed, there is a risk the approach to managing the Council's land and property assets to ensure that they contribute to the achievement of corporate priorities may be inappropriate.</p>	<p>The Asset Management Strategy and Plan should be reviewed and updated. Subsequent reviews should periodically be undertaken to ensure it fulfils the Council's corporate priorities.</p> <p>[Priority 2]</p>
2	<p>Disposal Policy There is no overarching Disposal Policy that encompasses defining land/property as surplus to requirements through to disposal.</p>	<p>Where a policy does not exist that covers the entire disposal process, decisions/action may be taken that may result in the Council not maximising its income and in breach of legislation.</p>	<p>A Disposal Policy should be drawn up that incorporates the whole disposal process from identifying when land/property is surplus to requirements through to completion of the sale/disposal.</p> <p>[Priority 3]</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
3	<p>Independent Valuations An estimate of the market value of land/property to be sold is provided by Strategic Property in all cases. However, independent valuations are not obtained where the sale of and/property is negotiated and not via open marketing.</p>	<p>Although there is no legal obligation to obtain an independent valuation, by not obtaining one there is no evidence of transparency or independence which could result in challenges of non compliance with section 123 of the LGA 1972.</p>	<p>Where negotiated disposals are estimated to be greater than £50,000, an independent valuation should be commissioned to ensure transparency. The valuations should be included in Part 2 reports to Members and senior management at the appropriate stage of the process. [Priority 2]</p>

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 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p>The Asset Management Strategy and Plan should be reviewed and updated. Subsequent reviews should periodically be undertaken to ensure it fulfils the Council's corporate priorities.</p>	2	<p>There have been, and continue to be, resource issues in undertaking this exercise.</p>	<p>Asset Management Team Manager</p>	<p>March 2016</p>
2	<p>A Disposal Policy should be drawn up that incorporates the whole disposal process from identifying when land/property is surplus to requirements through to completion of the sale/disposal.</p>	3	<p>Agreed</p>	<p>Head of Strategic Property Services</p>	<p>December 2015</p>
3	<p>Where negotiated disposals are estimated to be greater than £50,000, an independent</p>	2	<p>Agreed subject to funding being made available to commission valuations.</p>	<p>Head of Strategic Property Services</p>	<p>Once funding has been</p>

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	valuation should be commissioned to ensure transparency. The valuations should be included in Part 2 reports to Members and senior management at the appropriate stage of the process.				confirmed.

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OPINION DEFINITIONS

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level	Definition
Full Assurance	There is a sound system of control designed to achieve all the objectives tested.
Substantial Assurance	While there are a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.
Limited Assurance	Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.
No Assurance	Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.

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Identification of suggested areas for improvement