

- c) We found that agreements were in place for the sample tested. The agreements had been signed by the relevant parties and the addresses listed on the database corresponded to that on the S106/Unilateral Agreement. From our sample of 10 agreements we verified that trigger points as per Unilateral Undertaking have been accurately entered into the S106 monitoring spread sheet.
- d) On receipt of income, the Finance Assistant allocates funds to individual spending departments. A record is maintained of how much remains for each area within the Borough. When funds have been spent, the spread sheet is updated accordingly which includes details of the project. From our sample of ten agreements we noted that contribution information is stated within the agreement and that a corresponding tariff spread sheet was evident which details the breakdown of the contribution.
- e) On notification of material operation the Finance Team raise an invoice for the total contribution to be paid. Where payment has not been made the finance system automatically generates a series of reminders as per Financial Regulations. Once the reminder process has been exhausted, the debt is passed to the legal team for further pursuit. We tested a sample of ten agreements and verified that invoices had been raised on notification of material operation. All invoices tested were in agreement to contribution stated as per Unilateral Undertaking. Additionally we verified that where contribution is due but funds have yet to be received, that sufficient action has been taken to recover the debt owed.
- f) We tested a sample of contributions which have been received and spent and verified that projects have been identified in all instances.
- g) The Financial Accountant undertakes a reconciliation between the S106 database and the ledger at year end. On review of the 2014/15 year end reconciliation, we noted that there is an outstanding balance of £20,941, this was discussed with the Financial Accountant who noted that at present the explanation for this difference is not known and has yet to be investigated.
- h) The S106 monitoring spread sheet is held on the server with limited access to relevant officers. Read only access is enabled to prevent changes to be made by multiple officers at any one time. We obtained a list of users with access to the S106 database and found that all users listed were current employees with appropriate access.
- i) At present the Council does not undertake formal S106 funds oversight meetings with relevant departments. It is deemed the responsibility of individual spending departments to hold meetings to discuss S106 funds and expenditure. By not having regular meetings, there is potentially a lack of communication between departments who are involved in different aspects of the processing and managing of S106 agreements, particularly recovery of income.

	Agreed Management Action	Implementation Date	Manager Responsible
1	<p>With Finance and ICT, the Planning Department will explore the development of a spread sheet which outlines all S106 agreements which have commenced or completed, and information on the status of the property.</p> <p>Once established, the spread sheet will be held on the server for relevant staff to access and update. (Low)</p>	End September 2015	Phil Mitchell/Pauline Rose.
2	<p>The Financial Services Manager will continue with the investigation into this difference following the preliminary findings to resolve the difference between the S106 database and the ledger. We shall follow this through more thoroughly.</p> <p>Additionally the Financial Services Manager will consider completing reconciliation on a more regular basis to ensure that any differences are identified in a timely manner. (High)</p>	End September 2015	Phil Mitchell/Pauline Rose

3	<p>To enhance control over S106 funds and allocation to specific projects, the Finance and Planning Teams will hold regular one to one meetings with individual officers from:</p> <ul style="list-style-type: none"> • Planning • Finance • Legal • Parks <p>Meetings will be arranged six-monthly and the spreadsheet updated to reflect what is discussed and agreed at the meeting.</p> <p>Housing already has access to the spreadsheet. (Medium)</p>	Next meetings by December 2015	Pauline Rose
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Assignment: Financial Management (3.15/16)	Opinion:	Green
<p>The key findings from this review were as follows:</p> <p>a) From our assessment of the content and reporting of the MTFS we found that:</p> <ul style="list-style-type: none"> • There is a clear alignment between the Council's MTFS and their updated Corporate Strategy for 2015-19; • The MTFS was originally presented to the board for approval on 29th October 2013. A refresher document was presented to the board on 29th September 2015 in order to update the assumptions underpinning the MTFS, to reflect the Council's new Corporate Strategy for 2015-19; • The budgetary control process at the Council appears to be robust and individual business plans adequately consider resources / demand / mandatory & discretionary requirements / targets / budgets. • The data included in the MTFS is based on accurate data supported by the Council's budget systems/audited Financial Statements; • The risks associated with the MTFS have been adequately modelled and incorporated into the updated MTFS and the Council's risk register. • We noted during the audit there appeared to be misalignment between the Council's borrowing strategy and the MTFS. Adequate explanation was given for this variance and is considered in more detail below. <p>b) MTFS alignment with the corporate and investment/ borrowing strategy:</p> <ul style="list-style-type: none"> • The Council have recently implemented their 2015-2019 Corporate Strategy that focus on three thematic areas: <ul style="list-style-type: none"> • Environment- a highly attractive area with housing that meets local needs; • Prosperity- a vibrant local economy with thriving towns and villages; • Community Well-being- active communities and support for those who need it. <p>And these are supported by three guiding principles:</p> <ul style="list-style-type: none"> • Sustainability; • Openness and effectiveness; • Cost effectiveness. <p>c) The MTFS addresses these areas with a 'commitment to make the best use of assets', a 'focus on opportunities to invest capital in a way generates benefits for revenue budget' and 'when circumstances allow, contributions will</p>		

be reinstated from the revenue budget, to fund the repair and maintenance of assets.'

d) The investment strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This Strategy is in accordance with the Department for Communities and Local Government Investment Guidance.

e)_The investment strategy at the Council is detailed within the treasury management strategy report 2015/16 - 2017/18. The report details the overarching strategy putting particular emphasis on:

- a. The effective controls of risk associated with investment activities;
- b. And the criteria for choosing investment counter parties.
- c. The MTFs addresses this stating the need to 'improve returns on investment: without compromising unduly on the security and liquidity of investments, the Council will seek to diversify in search of a better yield, with particular consideration of property and property related funds.'
- d. It is stated within the MTFs that the Council has significantly increased its capital investment plans over the past year. Major multi-million pound projects are included in the current year's programme at Pippbrook, Meadowbank and Deepdene. The Council has also invested £3.4m in the purchase of Claire House & James House in Leatherhead as a preliminary investment in the Transform Leatherhead project.
- e. It is noted these projects will bring a beneficial return for the Council's revenue budget in the long run. The 2013 version of the MTFs emphasised the need for the Council to invest to make best use of its assets and this intention has been followed through in the level of capital investment now envisaged.
- f. However cumulatively the projects are depleting the organisation's capital reserves. It is anticipated the Council will need to borrow to fund additional capital expenditure. This would appear to be out of sync with the Council's borrowing strategy which states there would be no anticipated borrowing required to fund the capital programme during 2015/16 – 2017/18. The source of this discrepancy is that shortly after the treasury management strategy was finalised Claire and James House in Leatherhead unexpectedly came onto the market for £3.4m. This investment was in line with the MTFs goal relating to 'diversifying investment in search of a better yield with particular consideration of property and property related visits.' As a result the Council are now required to borrow to fund the capital programme.

Budget reporting, Verification of baseline figures and Risk Management

- g. Annually business plans are drafted by the budget holders of each department in anticipation of the budget setting report sent to the Council Executive in February of each year. The business plans detail the purpose of each department, any new statutory requirements, and the budgeting requirements for the upcoming year. At the time of the audit draft budget plans were in place for each department at the Council and were part completed.
- h. Additionally a timetable of member events is in place for the production of departmental business plans and the review of the MTFs plan. At the time of the audit the refresher document has been produced for the MTFs as per the plan and in addition the draft business plans are in the process of being formalised.
- i. Budget monitoring is carried out on a monthly basis and reported to the Council Executives via the 'The Budget and Performance Report'. For the past five months we found the reports had been produced on a monthly basis and contained a range of performance indicators to assess the

Council's performance in key areas.

- j. Key baseline figures used to model financial projections at the Council are based on income/expenditure figures from the audited financial statements at the Council and budgets and figures included on the Integra system. We were able to vouch the baseline figures for Council tax income and capital reserves to the most recent audited financial statements produced by the Council and verified by the external auditors. The allowance for inflation is informed by the current level and the projections of the Government and Capita Asset Services, the Treasury Management Advisers at the Council.
- k. Within the refresher document presented to the board one of the strategic risks is the failure to deliver the Medium Term Financial Strategy and a mitigating control is undertaking the annual business and budget setting process. In addition within the Council's Risk Register the risk surrounding the failure to deliver the MTFS is sufficiently detailed. In order to mitigate the risks surrounding the MTFS controls are detailed within the risk register.

No actions were raised.

FOR FURTHER INFORMATION CONTACT

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AC35