

The Project Team for the Corporate Landlord Model will include benchmarking as a deliverable in the project. (Medium)	30 December 2017	Project Team
The Corporate Landlord Model project team will ensure, as planned, that a Risk Register for the project is completed and kept under review as part of project management. (Low)	30 September 2017	The Corporate Landlord Project Team
The Principal Building Surveyor will agree with the Building Technician the conventions for condition scores, to ensure that where immediate action is required for health and safety reasons this will be flagged up as 'immediate action required' and C is used where programmed maintenance is required. (Low)	30 June 2017	The Principal Building Surveyor
The Corporate Landlord Model Team will define target times for the energy rating certifications. (Medium)	30 June 2017	Corporate Landlord Project Team
Management will carry out a review of the Asset Management Plan which will need to be approved by Members. (Medium)	30 April 2018	Management

Assignment: Procurement (16.16/17)	Opinion:	Partial
<p>The key findings from this review are as follows:</p> <ul style="list-style-type: none"> • The strategic ambition for the procurement function is set out in the Council's Corporate Procurement Policy and Principles document. This Policy was agreed by the Audit Committee on 30th June 2016 and Executive on 19th July 2016. It is set for revision and update in June 2019. The Policy specifically outlines a framework of control for the procurement function through the application of the following key principles. <ul style="list-style-type: none"> i) the introduction of new governance arrangements; ii) the development of a more commercially focused procurement culture, engaging with Small and Medium Enterprises (SMEs) where possible; iii) the promotion of social value, sustainability and environmental benefits where appropriate; iv) investing in new technology; v) the development of expertise through staff training. • We would however expect to see a medium term action plan with detailed measures intended to support this Policy. Such an action plan would improve assurances that key policy objectives will be delivered. In addition it would provide focus for the procurement function in the medium term and be based on a gap analysis to prioritise those key actions necessary to progress and embed the procurement function within the organisation. • One of the key drivers to delivering an effective procurement function set out in the Council's Procurement Policy is the creation of a Corporate Procurement Advisory Board (CPAB). The CPAB has not been formed and has not met. The absence of such a board weakens assurances that there is corporate commitment to a focussed organisational procurement culture and there is a risk that the procurement function continues to be isolated within the Finance Team. • The Constitution of the council contains the organisations Financial Regulations and Contract Standing Orders (CSO). These outline the rules which govern the way the Council procures its goods and services. We satisfactorily confirmed that these orders are clearly defined and intend to :- <ul style="list-style-type: none"> ○ obtain Best Value for MVDC; 		

- comply with UK and EU laws that govern the spending of public money;
 - protect individuals from undue criticism or allegation of wrongdoing by ensuring that all officers act with independence and integrity;
 - Provide process controls for varying financial thresholds of procurement.
- A further key element of governance will be the assurance that officers can give to members that procurement is effectively delivering savings and is compliant to Policy and CSO's. We understand that the last annual report to committee was Nov 2015 and we have agreed with officers that going forward an annual report would be advisable. It is anticipated that such a report could be made in November 2017.
 - We note that a full time experienced Procurement Officer is in post and an additional support for this officer is anticipated in 2017/18. Going forward key procurement controls are being managed through the In-tend software. This software is a cloud-based procurement system designed to streamline and standardise the procurement process across the organisation and is designed to provide compliance for relevant procurement legislation and local CSO's. The e-Tendering module forms the basis of the system and provides a complete electronic trail of the contract invitation, tender opening and award processes. We confirmed that key documents are linked into and archived within the system. All significant activity is captured by the system and we examined evidence of an audited user trail with time-date stamp recorded.
 - The In-tend software is populated with contract detail as and when it is procured through the e-tendering module and provides the basis for the contracts register. This registered list has been augmented by an initial survey of supplier payments made via the creditors system and canvassing departments internally to establish a full listing of contracts in place. We satisfactorily confirmed that the contracts register is publicly available through a portal link published within the MVDC website. In addition we satisfactorily confirmed that a dedicated link within the MVDC website provides public access to a listing of all procurement exceeding £500 in accordance with the requirement of the Government's transparency code.
 - Our testing identified areas of significant spend with 10 suppliers (greater than £100K) identified from a report extract produced from the Creditors system. We sought confirmation that contracts were in place with these suppliers and that they were listed within the Contracts Register. We identified 3 suppliers from this sample that are not in contract with MVDC. The Procurement Manager has undertaken wider testing and similarly identified areas of historic significant procurement spend with suppliers that are not in contract. Officers will continue to identify and monitor significant areas of procurement that are non-compliant with Contract Standing orders and the wider procurement policy. An action plan will be prepared to address these areas going forward. We have agreed with officers that in the short term authorised waivers will be registered with the Procurement Manager for future monitoring purposes. Entries within the waiver register will make reference to the intended action time frame for competitive market testing. Areas with significant spend not currently subject to contract or market testing include: Temporary Staff (£700K), Design and Printing (£90K); Emergency Accommodation (£250K).
 - There is a draft contract management guide. This guide is designed to help officers manage the delivery of a contract once it has been awarded. The contract management guide satisfactorily covers:
 - Contract administration
 - Service delivery management
 - Relationship management

It is supported by a 23 point checklist and detailed narrative to explain the key principles. This is currently in draft format awaiting finalisation.

- Similarly a corporate procurement guide is currently being drafted and will when issued and communicated to staff improve assurances that a consistent focussed approach to procurement is embedded within the culture and that this approach is aligned with Policy and Contract Standing Orders.
- A commitment to prepare and routinely maintain performance indicators was made in 2015. However the resource required to progress this commitment has been limited. Consideration should be given to a wide breadth of performance monitoring for the function. The use of all or a subset of the following may provide more insight as to the efficiency and effectiveness of the procurement function:
 - Actual spend committed against pre-established contract arrangements
 - Achieve (over five years) collaborative expenditure of x%
 - Total cost of the procurement function as a percentage of organisational running costs
 - Levels of procurement spend outside of CSO's
 - Monitor contract waiver numbers
 - Reduction of unplanned work from x% to less than y% (two year target).

A generic procurement risk is recorded in the Finance Service Risk Register: "Failure to properly procure significant contracts and maintain and publish a Contracts Register will be in contravention of Government requirements". Going forward a more detailed assessment and alignment with on-going actions is required to provide assurance that procurement risk is fully mitigated and that actions and dates are recorded. This register should be monitored and challenged on a regular basis by the CPAB.

Action	Date	Responsible Officer
i) In order to provide focus for the Procurement function in the medium term an action plan will be produced based on a gap analysis to prioritise those key actions necessary to progress and embed the procurement function within the organisation. Such actions may include <ul style="list-style-type: none"> • Governance set up of the procurement oversight function • Determining key areas of procurement activity non-compliant with Contract Standing orders and Policy • Identifying key time lines for contracts that are up for renewal in the next 3 years • Maintaining key Performance indicators (High) 	November 2017	Ellie Guinan to produce plan. Senior Management Team approval and support to be secured by Patrick McCord
An annual report to Committee will be reported to members to provide assurance that Policies and key objectives are being met together with any gap analysis and action plan going forward. (High)	November 2017	E. Guinan
The CPAB is a key element of governance for delivering an effective procurement function and driving an efficient procurement culture corporately. Its role in scrutinising and challenging the function with representation across the organisation is fundamental to monitoring procurement and challenging inefficient maverick spend. Clear ToR need to be determined for the group that will meet on at least a quarterly basis. (Medum)	November 2017	E. Guinan, with Senior Management Team support via Patrick McCord
A procurement guide will be produced for staff. It will provide detailed guidance on applicable thresholds and appropriate processes, specification requirements / spot quotes /	November 2017	E. Guinan

<p>competitive selection process / vetting / contract award / engagement with the Procurement Team.</p> <p>An update to the Policy will highlight the responsibilities and obligations placed on officers within the organisation. (Medium)</p>		
<p>Further work will continue to identify and monitor significant areas of procurement that are non-compliant with Contract Standing orders and the wider procurement policy. An action plan will be prepared to address these areas going forward.</p> <p>In the short term authorised waivers will be registered with the Procurement Manager for future monitoring purposes. Entries within the waiver register will make reference to the intended action time frame for competitive market testing. (High)</p>	April 2017	E. Guinan
<p>Performance Indicators were proposed and agreed by Audit Committee in 2015. These will be compiled for the November 17 report. (Medium)</p>	November 2017	E. Guinan
<p>A more detailed assessment and alignment with on-going actions will be maintained within the risk register to provide assurance that procurement risk is fully mitigated and that actions and dates are recorded</p> <p>A risk assessment and update will be presented to each meeting of the procurement board and included in the annual update to members. (Low)</p>	November 2017	E. Guinan

Assignment: Planning and Development (1.17/18)	Opinion:	Reasonable
<p>The key findings from this review are as follows:</p> <p>Design of the control framework</p> <ul style="list-style-type: none"> Reconciliations are not carried out between AGILE and the Council's cash receipting system. There is a risk that if the two systems are not reconciled on a regular basis that they both may be subject to errors or omission of information. Reconciliations are not carried out between AGILE and the Council's General Ledger. There is a risk that if the two systems are not reconciled on a regular basis that they both may be subject to errors or omission of information. <p>Application of the control framework</p> <p>We did not identify any issues with the application of the control framework over the course of the audit.</p>		

Well-Designed controls being applied effectively

- The Planning team have in place procedural documentation 'registering a planning application'. The document outlines the planning application process and the steps that should be taken by staff in order to process an application.
- We found the Council's website provided a substantial amount of information around the planning process. Information was easy to locate on the website and provided an easy to use guide for applicants.
- Applications can be made to the Council via three methods. A large percentage of applications are made via the planning portal accessible via the Council's web site. When applications are made here the information is checked and uploaded directly to the planning portal. Applications can also be made via email and by post. In this case information has to be manually entered into Agile by a member of the planning team. For a sample of five manual (paper/email) applications we found that all relevant information from the paper application form had been correctly entered into Agile by a member of the planning team.
- When an application has been received this will be checked by a member of the planning team. The Planning officer will check an application, if the application is missing documentation, documentation is incomplete or if a fee has not been paid the applicant will be informed. The application will be returned for them to complete. We found for a sample of 10 applications that appropriate supporting documentation as per national planning requirements and the Local Validation Checklist. Where documentation of payment is outstanding applications were not processed and the applications were deemed as invalid and the applicant was informed.
- On receipt of all relevant information a planning application is assigned a Planning Officer. The Planning Officer will subsequently carry out a site visit in order to verify that planning permission is to be awarded. For a sample of 10 planning applications we found that a Planning Officer had carried out a thorough analysis of the planning application. This analysis was recorded in the form of a report and the planning officer provided their recommendation along with their signature and the date the report was completed.
- In the event that a planning application is successfully awarded to an applicant they are informed via email by the Council along with the approval from the Development Manager. The email will verify the date the application was awarded and details of the Council's final decision. We found decision letters were issued to each applicant in a timely manner informing them of the outcome of their application.
- Applicants can appeal a decision made by the Planning Team at Mole Valley District Council. Appeals are made directly to the Planning Inspectorate (an independent body). When an appeal is lodged this is detailed on the Council's website including information on neighbours effected, the appeal form and other relevant documentation. We found on the Council's website that there was a clear explanation of the appeals process for potential applicants. The website provides information on who the applicant should contact. For a sample of five appeals that were lodged in the current year we found that all five had been published on the Council's website with all the relevant information.
- Planning applications are subject to externally determined turnaround time. All planning applications start from the date of 'validation' (the point at which it has been determined the application has all the required information) and must be processed within the statutory timescales (13 weeks for major applications, eight weeks for minor applications). We were provided with the KPIs reported on a monthly basis by the Head of Planning. These are subject to scrutiny on a monthly basis by the Planning Team. We found that KPIs reported were on target.

<ul style="list-style-type: none"> Fees for planning applications are set externally by the Department for Communities and Local Government. For a sample of 10 fees paid these were accurate as per the externally set planning framework. Annual budgets are set prior to the beginning of the financial year. Budgets are then subsequently monitored on a monthly basis by the budget holder and the Planning team's accountant. Formal budget monitoring does not start until July each financial year. As a result we were unable to carry out formal testing on this area at the time of the audit. 		
Action	Date	Responsible Officer
Quarterly reconciliations will be carried out between agile and the Councils General Ledger to ensure a complete and accurate record of all income received is held on the Council's financial records. (Medium)	30 November 2017	Gary Rhoades – Brown – Development Manager
Monthly reconciliations will be carried out between Agile and the Councils Cash Receipting system to ensure a complete and accurate record of all income received is held on the Council's financial records. (Medium)	30 November 2017	Gary Rhoades – Brown – Development Manager

Assignment: Financial Management (2.17/18)	Opinion:	Substantial
<p>The key findings from this review are as follows:</p> <p>Examples of well-designed controls being applied effectively:</p> <ul style="list-style-type: none"> The Council's borrowing strategy is included as part of the Council's overall treasury management strategy 2017/18 which is reviewed on an annual basis by the Council. We verified the borrowing strategy was approved as part of the Council's overall Treasury Management strategy. Borrowing at the Council is primarily for the purpose of funding the Council's capital programme as well as meeting any short-term monthly cash flow shortages if they occur. Prior to embarking on a money saving or income generating project, this had to be approved by the Council at board level. Requests for approvals can either be made in the form of individual business cases or as part as an overall change in strategy for the Council. We verified for the four selected projects that approval was in place at board level along with clear rationale for pursuing them. Borrowing at the Council for the most part is to fund the Council Capital programme as detailed within the 2015-19 Asset Management Strategy. This document outlines the link between the borrowing incurred to fund the programme and the Council's key priorities. We confirmed that the asset management strategy describes how borrowing to invest in the capital programme is in alignment with the Council's three key priorities Environment, Prosperity and Community Wellbeing. 		

- The Council's original MTFS was developed in 2013. The strategy has been subject to annual revision in order to remain relevant to the Council current goals and changes in the external economic environment. We found that there is a suitable alignment between the Council's MTFS and the Council's borrowing strategy.
- Updates regarding the risk register are made to the Audit Committee. Risks facing the Council are captured and are reported via the risk register. Mitigating controls are put in place to reduce the impact of the risk. We verified that on the risk register that sufficient reference was made to the need for the Council to identify alternative funding streams as well as the potential risks associated with the asset investment strategy.
- Although the overall borrowing for the capital investment plan was approved as per the Council's Treasury Management/ Borrowing strategy, individual property investments use borrowing that is approved separately at board level. We reviewed the most recent capital investment since the implementation of the asset investment criteria. We found a detailed report was provided to the Executive committee regarding the potential additional works to be carried out at the Swan Centre. Potential returns on investment were detailed as well as how this investment linked to the corporate priorities of the Council. (27th June 2017).
- A criteria is in place for making investment (and by proxy borrowing) decisions at the Council as part of the capital expenditure programme. An asset investment criteria document was presented to the executive committee for consideration on 7th February 2017. The criteria for borrowing for investments provided a robust framework for decision making.
- We verified from the Council's budget from 2017/18 that a potential reduction in operating costs associated with the Pippbrook offices had been factored in. We verified the saving had been included in the Council's MTFS projections. Formal budget monitoring at the Council does not take place until July of each financial year. As a result at the time of the audit no monitoring had yet occurred with regards to the potential savings achieved.
- The Council made a pre-payment in order to reduce their pension liability and as a result reduce their monthly service costs for the liability. The benefits of the project won't be realised until the financial year 2017/18. The savings from the liability reduction was included in the 2017/18 overall budget from the Council.
- Leatherhead Youth football club pays a quarterly rent of £2,000 in plus they have an "additional rent" which is a payment made each quarter day for a loan that MVDC made to the Tenant. The loan is for a sum of £132,868.36 and the rate of interest being charged is 4.25%. We verified that the Council are monitoring regular payments received from the project. We found that payments were being made in a timely manner by the club.
- The overall capital programme was approved as part of the Council's Medium Term Strategy and the Treasury Management strategy. In 2016/17 it was approved that the Council could potentially invest up to £10 million in the Capital Programme. It was established that a separate company is being set up to manage the property portfolio. Currently the Council are working with Ernst and Young to develop a model for monitoring income and potential issues with taxation from the newly set up private company.

Action	Date	Responsible Officer
No Management Actions		