



Asset Management and Property Services

City of York Council

Internal Audit Report 2018/19

Business Unit: Corporate and Cross-Cutting
Responsible Officer: Assistant Director Regeneration and Asset Management
Service Manager: Head of Operational and Commercial Asset Management
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Status: Final
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| | P1 | P2 | P3 |
|------------------------------|----------------------|----------|----------|
| Actions | 0 | 4 | 2 |
| Overall Audit Opinion | Reasonable Assurance | | |

Summary and Overall Conclusions

Introduction

The council's property estate is large and varied, comprising 1258 assets with a value of £349m generating an annual income of £6.3m. This estate can be classified into operational and community assets, commercial property and surplus land for housing delivery.

Effective management of assets ensures that the land and buildings asset base of an organisation is optimally structured so as to achieve its corporate objectives. In practice, this is achieved through implementation of asset management plans which seek to optimise the utilisation of assets in terms of their service benefits and financial return.

The council's previous Corporate Asset Management Plan ran up to 2016 and, while its principles remain current, the council has determined that a refresh is required to respond to a new context which includes new service delivery models and new approaches to customer and community engagement. The 2017-2022 Asset Management Strategy, which is currently under review by the Economy and Place Policy Development Committee, includes three objectives and a set of nine principles which aim to help guide and shape future use of council assets. These objectives and principles were agreed by the Executive Committee in September 2017.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system will ensure that:

- The council's Asset Management Strategy is fit for purpose, subject to effective governance and arrangements are in place for its efficient and effective delivery
- Reliable, accessible and well-maintained data on the council's property estate is available
- Acquisitions and disposals are carried out in accordance with the Constitution and in line with the principles and objectives of the Asset Management Strategy
- Maintenance of property assets is cost effective, ensures they remain fit for purpose and that values are preserved
- Data processed in connection with the management of the council's assets is done so in accordance with the GDPR (General Data Protection Regulation) and Data Protection Act 2018

The audit has not included a review of the arrangements for accounting for the council's fixed assets as this is included as part of external audit's audit of the accounts. This review has also not included the council's housing assets.

Key Findings

The appropriate internal stakeholders were consulted on the development of the Asset Management Strategy, with this being routed through the Capital and Asset Board in existence at the time and the Council Management Team prior to it being presented to Executive in September 2017. Consultation on development of the Community Asset Strategy¹ has since continued with officers, One Public Estate partners and with members (via the Economy and Place Policy Development Committee) but has not resulted in a defined programme of delivery. This has necessitated a fundamental review of governance and delivery arrangements.

The corporate asset database (Technology Forge) is well maintained by the core Asset Management team and was found to serve as a largely accurate record of the council's commercial, operational and community asset portfolio. Some issues were observed with availability of evidence of title but this appears to be isolated to easements and the property terrier², while mostly complete and accurate, does contain some minor inconsistencies. Information on these has been provided to the service so that they can take remedial action.

The risk of adverse possession is now extremely low as a significant amount of work has been done to register the council's land and property assets. There remains only a very small number of assets which the council has not yet been able to register with the Land Registry and efforts to complete registration are ongoing. The council is also compliant with the Local Government Transparency Code by publishing the required asset information on the Open Data Platform.

Method statements and the transaction checklist used by the core Asset Management team provide an effective means of ensuring that acquisitions and disposals are completed appropriately and the assets are successfully brought into or taken out of the management of the council. All acquisitions and disposals reviewed appear to have been conducted correctly, in accordance with the council's Constitution and with regard for best value and due diligence. However, a number of key documents required as part of the method statement were missing from the disposals reviewed and completed transaction checklists were not always available.

Condition surveys have recently been performed and are available or have been performed and are awaited for all of the council's commercial assets where it is appropriate for these to have been carried out. Acceptable reasons were given where a condition survey had not been carried out on a commercial asset. All defects identified by the surveys requiring urgent attention have been addressed by the council or by the tenant. Whilst, at the time of testing little work had been done to establish liabilities and to arrange for the repair of the rest of the defects identified by the surveys, this was being addressed at the time of the audit and is now underway.

With the exception of the education portfolio, there is no regular programme of condition surveys for the council's operational and community assets. Condition surveys are, however, carried out on individual assets or groups of assets as part of the service and community reviews under the Asset Management Strategy. The approach to condition surveys was originally discussed at the Capital Asset Board a number of years ago

¹ The Community Asset Strategy is a separate but related strategy to the council's overarching Asset Management Strategy 2017-2022 and is designed to deliver on the principles and objectives set out in the report presented to Executive on 28 September 2017.

² A Geographic Information System, integrated with the Technology Forge corporate asset database, which spatially maps the extent of the council's property holdings.

where it was decided that carrying out a regular programme was not the best use of limited financial resources. Instead, it was agreed that a capital asset maintenance fund should be set up to deal with any urgent maintenance and repair work identified either as part of the service or community asset reviews or identified as a health and safety risk by Property Services. This ongoing capital fund, which has been increased over the period (currently £220K per year), has proved to be sufficient to meet identified repair needs. It is important that this is continued as reactive repairs and maintenance budgets for the council's operational and community assets have decreased by 24% between 2016/17 and 2018/19 yet actual expenditure has been significantly more than double the budgeted expenditure in each of the last three financial years.

There is no single record for the council's full asset portfolio showing the statutory maintenance and inspection to be carried out and the responsible party (i.e. contractor, Building Services or tenant) or no consistent way of recording this information. This has limited the assurances that can be given that statutory maintenance is being carried out. At the time of the audit there was a new regime of management inspections being implemented which is being used to confirm that the tenants of its commercial properties have complied with their statutory and repair obligations. This process is now underway.

The core Asset Management team has identified its information assets but, upon inspection, the ownership was outdated and much of the information asset register in respect of privacy information was incomplete. This has since been addressed and is now up to date. However, Information assets are recorded as containing sensitive personal data yet there is no privacy notice in place to advise of the nature of processing undertaken and the lawful basis for processing. Some, limited personal information was available on inactive Technology Forge records but, overall, the fact that there is no hard deletion has not exposed the council to significant risk. Physical information security arrangements are good, with the service having registered with the corporate key tracker system and made effective use of it.

Overall Conclusions

The arrangements for managing risk were satisfactory with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Community Asset Strategy

Issue/Control Weakness

Governance and delivery arrangements are not in place for the Community Asset Strategy.

Risk

Delivery of the Community Asset Strategy is delayed or otherwise compromised.

Findings

A number of governance proposals have been suggested to direct and control delivery of the council's Community Asset Management Strategy. These have included consideration by the Corporate Programme Board as a major project, revitalisation of the Capital and Asset Board and the development of an asset working group. However, at the time of the audit governance arrangements had not been decided upon and a fundamental rethink had been had by senior officers leading on the strategy (in consultation with the Council Management Team) as to the delivery arrangements for the strategy. This was necessitated by the fact that, while efforts had been made to understand service area priorities, a formalised programme of delivery had not been developed.

The revised delivery arrangements will now see responsibility reassigned to the service areas using the council's assets, with the core Asset Management team facilitating any programmes of work or projects that are required once priorities have been defined as part of the next business planning cycle. It is a concern that governance and delivery arrangements have not been decided when the strategy was approved more than 18 months ago as at the time of the audit and the indicative programme had suggested that an integrated service asset plan would be available by the end of quarter one in 2019/20. This will no longer be achievable as the business planning process is unlikely to be concluded until later in the financial year.

The Community Asset Strategy does not currently exist as a major project. However, work done to address some of the more urgent asset groups has seen the development of major projects (e.g. Older Persons' Accommodation Programme Phase 2 and Library Procurement). This is a reasonable approach to managing and controlling delivery of the strategy and it must be ensured that future work identified as part of the programme is also captured in this way. Furthermore, it was found that performance management for the strategy was underdeveloped. It is appreciated that the delivery of asset-related projects will provide a good indication of progress but the strategy would benefit from performance reporting which also provides information on the status of overall delivery.

Agreed Action 1.1

A revised process for governance and delivery will be put in place for the Community Asset Strategy which will enable the outcomes to be delivered more effectively across the council.

Priority

2

Responsible Officer

Project Manager –
Community Asset
Strategy

Timescale

December 2019

2 Completeness of property files (disposals)

Issue/Control Weakness

Not all key audit documentation required by the disposal method statement is available on property files.

Risk

The council is unable to demonstrate that it has acted in accordance with its Constitution, with regard for best value or with due diligence when disposing of its assets.

Findings

Disposals carried out between 2016-17 and 2018-19 were tested. This involved review of the associated physical property file or disposal record on Technology Forge to confirm that each of the 15 required key audit documents (as per annex B of the method statement for the disposal of land or property) were available where appropriate.

No concerns were identified as to how any of the disposals were conducted but no one property file reviewed had all of the key audit documents required and there were several notable omissions from the files. Of the seven disposals reviewed, three were undertaken using the powers of delegation but for only one of these three disposals was there a record of the decision on the council's officer decision log. For the remaining omissions, the related documents were later produced by officers involved in the disposals but had been held in either a shared drive or in officer email accounts rather than in property files or Technology Forge disposal records.

The transaction checklist (completed once the asset has been disposed of) requires that the method statement for the disposal of land or property is referred to and the key audit documents from this scanned to Documentum for indexing to the Technology Forge database. Where documents are held in areas other than Technology Forge there is a risk that important information is lost and, as a result, the council may not be able to demonstrate that it has acted in accordance with its Constitution, with regard for best value or with due diligence when disposing of its assets.

Agreed Action 2.1

Both the disposal and acquisition method statements and the transaction checklist will be reviewed and refreshed as necessary to ensure that processes are in place to capture and file all required data on Technology Forge.

Priority

3

Responsible Officer

Head of Operational and Commercial Asset Management

Timescale

July 2019

3 Statutory maintenance

Issue/Control Weakness

Lack of clarity and control over the scheduling and performance of statutory maintenance across the full asset portfolio.

Risk

Potential for injury or harm to come to the users of the council's assets.

The council fails to comply with health and safety legislation.

Findings

Health and safety legislation requires the council to carry out servicing, maintenance, testing and statutory inspections on its properties to ensure the welfare of its tenants, employees, visitors, contractors and members of the public (including children in education). There is no single record for the council's full asset portfolio showing the maintenance and inspection to be carried out and the responsible party for this work (i.e. contractor, Building Services or tenant) or no consistent way of recording this information.

The Property Design and Facilities Management team is responsible for the maintenance of the council's corporate buildings. It is also responsible for the council's leisure assets (i.e. libraries) and most schools, academies and children's centres. The maintenance and inspection of these assets is carried out by a combination of contractors and the council's Building Services department. The scheduling and monitoring of the required maintenance and inspection is managed through a spreadsheet database called the 'care sheet'.

The care sheet is a fairly rudimentary database with some formatting to show whether or not the required number of inspections has been performed in the year. However, the system for scheduling the required maintenance and inspection is partly reliant on this being identified by the Helpdesk (in other cases where the work is under contract the contractor will control the scheduling of the work, although this should not be relied upon). There are a considerable number of required inspections, with varying frequencies, across the assets and so there is a risk that in the absence of a more sophisticated reminder system inspections are not performed on a timely basis. Furthermore, the system for recording completions on the care sheet is reliant on the Helpdesk receiving the relevant inspection report following completion of the work. This is not always provided to the Helpdesk and so the spreadsheet is not consistently updated to record completed maintenance and inspection. When the inspection reports are received, they are saved in folders for each asset in the Asset Management shared drive but the statutory inspection reports are not provided to the Property Technicians to record on Technology Forge.

The core Asset Management team is responsible for ensuring compliance with statutory maintenance and inspection requirements for the council's commercial assets. Most of the commercial leases confer maintenance responsibilities on the tenant. However, the council needs to satisfy itself that its tenants have been meeting their statutory obligations. At the time of the audit a programme of management inspections was being developed and is currently being rolled out to deal with such.

Overall, it was difficult to provide full assurances that the council has complied with its statutory obligations across its asset portfolio and that

the arrangements and assignment of responsibilities are clear enough so as to ensure that this happens.

Agreed Action 3.1

The care sheet and related processes will be reviewed to ensure that the quality of the data held in respect of statutory maintenance is improved.

Priority

2

Responsible Officer

Head of Property
Design and Facilities
Management

Timescale

April 2020

Agreed Action 3.2

Inspections will be carried out on all of the council's commercial properties in line with the programme of management inspections. Inspections have been carried out or are scheduled and all remaining tenants will be contacted to arrange an inspection.

Priority

2

Responsible Officer

Head of Operational
and Commercial Asset
Management

Timescale

July 2019

4 Availability of privacy information

Issue/Control Weakness

Sufficient privacy information is not available to cover the specific processing activities carried out by the service.

Risk

The council does not supply sufficient privacy information and fails to comply with the right to be informed under the GDPR.

Findings

The privacy information provided by the council is essential to ensure that it meets the requirements of the enhanced rights of individuals under the GDPR, specifically the right to be informed. Amongst other methods this is achieved by having privacy notices which include such information as why the data is being processed, the purpose of processing, how long it is held and whether or not is shared with other parties.

The council's service area privacy notices are held on its website but there is not a notice covering the processing activities of the core Asset Management team. The information asset register (IAR) records that the team processes special category data in maintaining the corporate asset database, handling property enquiries and in retaining physical files on its assets. Therefore, a service area privacy notice should be available as these are not available for each specific information asset as per the IAR.

Agreed Action 4.1

A service area privacy notice will be developed covering the data processed by the core Asset Management team.

Priority

2

Responsible Officer

Head of Operational and Commercial Asset Management

Timescale

July 2019

5 Accuracy and completeness of the information asset register

Issue/Control Weakness

The information asset register for the core Asset Management team is outdated and incomplete.

Risk

Information assets are not sufficiently managed and data is processed unlawfully.

Findings

The core Asset Management team has performed an information audit and it has arrived at a number of information assets which reflect known processing as per the systems reviewed during the audit. However, ownership is outdated with the previous Head of Asset and Property Management being named as the Information Asset Owner for several information assets rather than the current Head of Commercial and Operational Asset Management.

Across all information assets recorded on the register some contextual information as to the format, location, source and size of the asset was missing. This is not essential for ensuring lawful processing of the data but this information should be recorded as it could influence the type of controls and risk management required in order to protect the related data. In addition, a lawful basis for processing had not been recorded for any of the assets where the register does not indicate that the service has explicit opt-in consent (i.e. for five of the six information assets) and no retention periods have been set for any of the information assets.

Agreed Action 5.1

Ownership of the information assets recorded on the register will be reassigned and all missing information will be provided.

Priority

3

Responsible Officer

Head of Operational and Commercial Asset Management

Timescale

Implemented

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

| Opinion | Assessment of internal control |
|-----------------------|---|
| High Assurance | Overall, very good management of risk. An effective control environment appears to be in operation. |
| Substantial Assurance | Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified. |
| Reasonable Assurance | Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. |
| Limited Assurance | Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation. |
| No Assurance | Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse. |

Priorities for Actions

| | |
|------------|--|
| Priority 1 | A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management. |
| Priority 2 | A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management. |
| Priority 3 | The system objectives are not exposed to significant risk, but the issue merits attention by management. |

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.