

M O P A C

MAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

DIRECTORATE OF AUDIT, RISK AND ASSURANCE
Internal Audit Service to the GLA

**Follow up Review of Estate Strategy and
Management of Assets**

1. Background

- 1.1 This audit follows up the progress made towards implementing the nine agreed recommendations from the audit of Estate Strategy and Management of Assets that was completed in September 2013.

2. Audit Assurance

Adequate

Key risks are being managed effectively, however, a number of controls need to be improved to ensure business objectives are met.

3. Key Findings

- 3.1 The overall control framework for Estate Strategy and Management of Assets has improved. Since the original review six recommendations have been fully implemented and three partly implemented.
- 3.2 An Estate Strategy and Implementation Plan have been developed, approved and published. The implementation plan is monitored and regularly updated. Risks have been identified and are recorded on both Asset Management and Housing and Land Risk Registers and where applicable risks are reported on the Corporate Risk Register.
- 3.3 A review of acquisitions and disposals has been undertaken and records are maintained. Standard template forms have been developed and will be published in June 2014. Details of the disposals by long lease and supporting documentation are maintained and are recorded on the Fixed Asset Register. Processes for the management of expenditure and income have been established and documented.
- 3.4 Delegated powers for decision making within Housing and Land is currently being reviewed and a paper has been prepared for submission to the Housing and Land Investment Group (HIG) in June 2014. Requests for delegated powers are also submitted on Request for Mayoral Decision (MD) for individual projects. A reconciliation of title deeds has been undertaken and details are recorded with ex-HCA deeds and legal documents held off-site securely and records maintained of their location. A paper will be submitted to the Housing and Land Senior Management Team in June 2014 for agreement for a central location to hold all title deeds.
- 3.5 Contractual and procurement arrangements are being reviewed and extensions to current contracts have been granted and documented. A reporting framework is also in the process of being developed.

ACTION PLAN

| Ref. | Original Finding and Risk Identified | Priority | Original Recommendation | Follow Up Finding | Further Recommendations and Management Response |
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| 7.3 | An estate strategy has not yet been developed, approved and published following the transfer of the portfolios to the Authority in April 2012. The lack of strategy could result in ineffective decisions being made. | 2 | <p>A strategy and implementation plan for the GLA estate is developed, approved and published within a defined timescale.</p> <p>Considerable work has been undertaken and the final version will be presented to GLAP directors for approval in November 2013.</p> <p>Assistant Director - Strategic Projects and Property and the Senior Manager – Land, Estates and Property.</p> <p>Target Date: November 2013</p> | <p>Implemented</p> <p>An Estate's Strategy has been produced and was approved in October 2013. The Strategy can be located on the GLA web site.</p> <p>An Asset Management Strategy – Implementation Plan has been established and shows all property, estates, development projects and strategy.</p> <p>Details of properties are also discussed at the Housing and Land SMT briefings.</p> | None |
| 7.4 | The risks relating to the management of the estate have not been identified and it is therefore not possible to provide assurance they are being effectively managed. | 2 | <p>The risks associated with managing the GLA estate are captured, recorded and evaluated and where necessary escalated to the directorate/corporate risk registers.</p> <p>This will be included within the overall risk activity for Housing and Land and escalated to the corporate risk register where appropriate.</p> <p>Senior Manager – Land, Estates</p> | <p>Implemented</p> <p>Risks associated with managing the GLA estate are recorded on the Asset Management Risk Register. Risks from the Risk Register are also transferred to the Housing and Land Risk Register and the Corporate Risk Register where applicable.</p> | None |

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| | | | and Property. Target Date: November 2013 | | |
| 8.3 | Evidence for the approval for the reduction of income by £15k for a disposal by long lease was not retained. | 3 | <p>Delegated powers for decision making within the Housing and Land Directorate are formalised and recorded.</p> <p>This will be addressed as part of the overall governance activity of the GLA. Proposals relating to property have been developed previously and these will be revisited and proposal submitted to GLAP directors for approval.</p> <p>Assistant Director - Strategic Projects and Property, the Senior Manager – Land, Estates and Property and the Head of Governance and Resilience.</p> <p>Target Date: November 2013</p> | <p>Partly Implemented</p> <p>A draft paper – Governance discussion has been produced and will be submitted to the June 2014 HIG in relation to the overview of GLA delegations.</p> <p>Delegated powers for decision making within the Housing and Land Directorate are also requested on an individual basis for each case and approval is obtained via the Request for Mayoral Decision process.</p> | <p>Recommendation</p> <p>A final decision is made on the best means of granting delegated powers for decision making within the Housing and Land Directorate.</p> <p>Management Response:</p> <p>This has been the subject of discussion internally and at a recent HIG meeting. It has been agreed that initial proposals need to be reconsidered and a wider ranging solution proposed which links closer to the Mayoral Scheme of Delegation. Proposals will be formulated in consultation with Governance and Legal prior to re-submitting to HIG</p> <p>Target Date:</p> <p>October 2014</p> |

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| 9.2 | <p>The reconciliation of title deeds has yet to be completed. There are also no agreed procedures for the safe storage of title deeds and legal documents associated with the estate.</p> <p>There is a risk that documentation will not be available when required.</p> | 3 | <p>To ensure that all title deeds are available and appropriately stored:</p> <ul style="list-style-type: none"> The reconciliation of title deeds to the fixed asset register is completed as soon as practicable, and any anomalies identified are recorded and addressed promptly. The title deeds and legal documents for the ex-HCA portfolio are stored safely until a decision is made on the most economical and effective way to store the title deeds for the estate. A full review and reconciliation will be undertaken. A process for storage and access to legal documents will be developed and implemented. <p>Target Date: February 2014</p> <ul style="list-style-type: none"> The title deeds for the ex-HCA portfolio will be stored off site via 3rd party suppliers until a permanent solution has been implemented. <p>Target Date: September</p> | <p>Implemented</p> <p>A reconciliation of title deeds has been undertaken, recorded and remains ongoing. The locations of title deeds are also recorded on the Title Deed Reconciliation. Title deeds and legal documents for the ex-HCA are now held off-site securely with records maintained by GLA.</p> <p>A paper will also be submitted to the Housing and Land SMT meeting in June 2014 with a recommended secure location for holding all title deeds centrally.</p> | <p>None</p> |

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| | | | <p>2013</p> <p>Senior Manager – Land, Estates and Property</p> | | |
| 9.4 | <p>The SAP fixed asset register went live in May 2013 and reflected the estate at the time of transfer. A central record of acquisitions and disposals actioned between then and the original transfer has not been maintained. It has not yet been decided how a “disposal by long lease” will be recorded in the SAP fixed asset register to ensure that reporting on the estate is properly interpreted.</p> <p>Information supplied to update the asset register may not be complete or accurate.</p> | 2 | <p>To ensure that accurate information is contained in the SAP fixed asset register:</p> <ul style="list-style-type: none"> A review is undertaken within the Housing and Land Directorate to ensure that complete and accurate details have been collated on acquisitions and disposals affected to date. <p>Target Date: October 2013</p> <ul style="list-style-type: none"> A process for updating the fixed asset register during the year is developed to ensure that it is kept up-to-date, and accurate reports are produced. <p>Target Date: December 2013</p> <ul style="list-style-type: none"> Agreement is reached and documented as to how disposals by long lease, and other non-standard disposals, are to be recorded in the GLA asset register to facilitate accurate reporting. | <p>Implemented</p> <p>A review of acquisitions and disposals was undertaken by Finance and records are held of acquisitions and disposals.</p> <p>Proposed standard forms have been produced for Asset Acquisition and Asset Disposal and these forms will be used to update the Fixed Asset Register. Forms will be submitted to the SMT for approval and submission on the GLA Governance pages in May 2014.</p> <p>Records are held by Finance of long lease disposals and details are shown in the Fixed Asset Register even with a nominal or nil value.</p> | <p>None</p> |

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| | | | <p>Target Date: November 2013</p> <p>These recommendations will be undertaken in conjunction with Finance.</p> <p>Senior Manager – Land, Estates and Property.</p> | | |
| 10.4 | <p>Two of the contracts for the management of the estate have expired, and a formal process to support the contract extensions has not been followed. The use of expired contracts to manage the estate could leave the Authority at risk of a legal challenge.</p> <p>There is an informal approach to contract management, which could leave the organisation open to criticism if a risk materialises.</p> | 3 | <p>To ensure there is effective use of contracts:</p> <ul style="list-style-type: none"> The contractual arrangements for managing the GLA estate are formally agreed, and the appropriate procurement action taken pending the establishment of a GLA wide corporate contract. <p>An effective method of contract management for the GLA estate is developed and consistently applied to ensure contract terms and conditions are met.</p> <ul style="list-style-type: none"> Working with Procurement, short terms extensions will be documented to regularise the position. <p>Target Date: November 2013</p> | <p>Implemented</p> <p>A review of the contractual arrangements is currently taking place and the Senior Manager, Land, Estates and Property is working with Procurement to put in place an alternative arrangement.</p> <p>Options for the contractual arrangements for Crystal Palace (Greenwich Peninsula) are being discussed and GLA are working with external consultants on this.</p> <p>Extensions for Fairhurst (Greenwich) and GVA Grimley (manages the majority of the GLA Estate) have been granted until 31 March 2015.</p> | None |

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| | | | <ul style="list-style-type: none"> We are working with TfL and MOPAC procurement teams to deliver a single contract for Estate Management in place from 01/04/14. This will be achieved via the current MOPAC procurement exercise for the supply of Estate Management Services. <p>Target Date: April 2014</p> <p>Senior Manager – Land, Estates and Property.</p> | | |
| 11.2 | The processes in place for approving and monitoring contract expenditure need to improve to ensure all expenditure is properly approved. | 3 | <p>A process for ensuring that expenditure incurred by the contractors has been appropriately approved by the Housing and Land Directorate is developed.</p> <p>This will be actioned via a review of Directorate approval processes (linked to 8.3) and proposals submitted to GLAP directors in November for approval.</p> <p>Assistant Director - Strategic Projects and Property, the Senior Manager – Land, Estates and Property and the Head of Governance and Resilience.</p> | <p>Partly Implemented</p> <p>Delegation levels within the Housing and Land Directorate are being reviewed. (see recommendation 8.3).</p> <p>A list of all assets and a record of all expenditure is maintained and monitored by the Estates Officer.</p> <p>Monthly bank reconciliations of expenditure transactions are undertaken by GLA Finance.</p> | <p>Recommendation</p> <p>Delegation levels are agreed within the Housing and Land Directorate and implemented.</p> <p>Management Response:</p> <p>This links with 8.3 above. Routine activity is covered by the general GLA Governance directions which have recently been re-issued. However, those non routine property transactions are not specifically covered and a supplementary process is required</p> |

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| | | | Target Date: November 2013 | | Target Date: October 2014 |
| 11.4 | <p>An exercise has not been undertaken to ensure that the Authority are aware of all the rents due to them, and checks not have been performed to ensure that the contractors are including all rents due in their returns.</p> <p>Income may be lost as a consequence.</p> | 2 | <p>The Authority conducts an exercise to ensure that appropriate rents are charged and collected on its behalf by the contractors.</p> <p>A full review will be undertaken as part of the current re-budgeting exercise.</p> <p>Senior Manager – Land, Estates and Property.</p> <p>Target Date: October 2013</p> | <p>Implemented</p> <p>An exercise was undertaken by the Housing and Land Directorate and all leases/licences checked to determine all income due to the GLA.</p> <p>Two spreadsheets (Asset Report and Income Statement) have been created showing all GLA Assets along with rents/licence fees due.</p> | None |
| 12.2 | A reporting framework has not yet been developed in relation to the estate, which could result in ineffective scrutiny and review. | 2 | <ul style="list-style-type: none"> Following the approval of the estate strategy an appropriate oversight of the delivery against the supporting implementation plan is established and reported against. A reporting framework is developed that will allow | <p>Partly Implemented</p> <p>A reporting framework is in the process of being reviewed and developed.</p> | <p>Original Recommendation Applies</p> <p>Management Response:</p> <p>A full review of data held on outputs and monitoring against approvals has been delayed pending arrival of a</p> |

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| | | | <p>effective scrutiny of the outcomes against decisions made, and work undertaken to achieve the desired outcomes.</p> <p>A formal reporting process will be developed and submitted to GLAP directors for approval. It is anticipated that a formal review meeting of GLAP directors and relevant GLA officers will take place half yearly, starting in November 20213.</p> <p>Assistant Director - Strategic Projects and Property and the Senior Manager – Land, Estates and Property.</p> <p>Target Date: November 2013</p> | | <p>replacement member of staff. The post will be filled on 30th June and the reporting framework will be fully developed and implemented. This will link to the regular updates to HIG in respect of the Asset Strategy. Delivery will be linked to a decision on the way forward for project management reporting i.e. retention of PCS</p> <p>Target Date:</p> <p>October 2014</p> |