

SLOUGH BOROUGH COUNCIL

REPORT TO THE AUDIT AND RISK COMMITTEE

Audit for the year ended 31 March 2013

APPENDIX D

APPENDIX V: ACTION PLAN

FINANCIAL STATEMENT RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Working papers</p> <p>Our audit found a number of shortcomings in the format, quality and timeliness of the working papers provided to support balances and disclosures in the draft financial statements.</p>	<p>Management should carry out a detailed review of its 2012/13 closedown process to identify how improvements can be made.</p> <p>This should include a critical evaluation of working papers against audit requirements. BDO will assist in this process to ensure that our requirements continue to be appropriately tailored to the Council and fully understood by all relevant staff.</p>	High	<p>The Council is putting in place a fundamental review of its closedown procedures for the 2013/14 financial year. This will ensure that there is a named officer and reviewer for each working paper and there is appropriate time to allow for effective critical review of the financial statements</p> <p>The BDO working paper request will be reviewed and will form a core part of the closedown process.</p>	Assistant Director, Finance & Audit	March 2014
<p>Related party disclosures</p> <p>Our audit found that £90,000 paid to the Thames Valley Athletics Centre and £38,000 paid to the Slough Museum were not disclosed in the related parties note in the draft financial statements. Councillors correctly declared that they are Directors of these organisations.</p>	<p>As part of the accounts closedown processes, finance officers should review the general ledger for any transactions with entities with whom officers and Councillors have declared interests. The value of the transactions should be considered from the viewpoint of both the Council and the related party in deciding whether or not the transactions should be disclosed in the related parties note.</p>	Medium	<p>Review of matching Related Party Transactions to the finance system to take place as part of the closedown procedures for 2013/14.</p>	Corporate financial controller	March 2014
<p>Property valuations</p> <p>The evidence retained by management to support its assessment that the carrying values of land and buildings not independently revalued in year is materially accurate when compared to fair value is limited.</p>	<p>Management should more fully document its thought process and evidence to support the representation that the carrying values of all assets remain materially accurate as fair value at year end.</p>	Medium	<p>Assets are regularly revalued where the UEL are reviewed. An impairment review is prepared from the valuers and consideration is given as to the UEL of assets in the report. A review will be undertaken and reports generated in line with Code requirements</p> <p>The depreciation of the leased assets will be amended.</p>	Corporate Financial Controller	March 2014

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FINANCIAL STATEMENT RECOMMENDATIONS					
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<p>Depreciation of non-current assets : Useful economic lives</p> <p>(a) Management has stated that it has undertaken an informal year end review of useful lives and depreciation methods and that the existing assumptions remain appropriate. However, the evidence retained by management to support the review is limited.</p> <p>(b) Our review of the fixed asset register identified a number of depreciable assets (12 operational and 21 non-operational assets) that have not been depreciated.</p> <p>(c) Our audit testing found that the Council is applying incorrect useful economic lives for leased assets in calculating the depreciation charge for the year as it is based on the expected life of the asset irrespective of the life of the lease. Accounting standards require that leased assets are depreciated over the shorter of the life of the lease or the expected life of the asset. The Council's approach means that depreciation on these assets is understated.</p>	<p>(a) Management should more fully document its annual review of useful lives, depreciation methods and residual values of all classes of assets.</p> <p>(b) The fixed assets register should be updated to ensure that all assets are appropriately depreciated in accordance with the Code requirements.</p> <p>(c) The fixed assets register should be updated to ensure that leased assets are being depreciated over the shorter of the lease life or the expected life of the asset.</p>	Medium	The Council will undertake a review of the fixed asset register and the depreciation periods utilised as part of Closedown review for 2013-14.	Corporate Financial Controller	March 2014
<p>Periodic income and expenditure</p> <p>The Council does not raise accruals or recognise deferred income at year end for periodic income not yet billed or received in advance. Similarly, it does not raise accruals for periodic expenditure items not yet billed, such as utility bills. The Council's approach is on the basis that invoices are raised in the same way each year and therefore there is a full 12 months of income or expenditure in the general ledger. This approach is only acceptable where there are no significant fluctuations in income and expenditure between financial years.</p>	Management should review the Council's approach to periodic income and expenditure at year end to ensure that it does not result in a material misstatement of income for the year.	Medium	<p>The policy of how the Council accounts for periodic income and expenditure is being reviewed to ensure that income is not materially misstated.</p> <p>This will be picked up in closure of accounts briefings and procedure notes and will be incorporated in meetings with the external auditor during closure planning.</p>	Corporate Financial Controller	December 2013/January 2014

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<p>Accrual for special education needs</p> <p>The Council identified a creditor accrual of £994,000 at 31 March 2013 for expected amounts payable for special education needs, where children have attended schools outside the borough. Whilst the amount is not material, we have noted that the accrual is based on budget and the same cost had been accrued for in prior year.</p> <p>We are therefore unable to assess whether the accrual is reasonable.</p>	<p>Management should ensure that the year end accrual for out-of-borough special education need placements is estimated by taking account of the actual number of placements and the expected cost for each; in the light of the accuracy of the prior year accrual.</p>	Medium	<p>Going forward, this accrual will not be required as the recoupment budget has been removed from Councils and transferred to Schools.</p>	n/a	n/a
<p>HRA share of corporate and democratic core costs</p> <p>The Council has allocated £205,000 of its corporate and democratic core costs to the HRA, which is consistent with prior years. There is no working paper to support this amount; it is based on a budget that is rolled forward each year.</p>	<p>The Council should review its recharges and recalculate the HRA share of corporate and democratic core costs on an appropriate basis. This calculation should be reviewed regularly.</p>	Low	<p>The Council is undertaking a review of charges made to and from the HRA in the Autumn 2013.</p>	<p>Finance Manager; CCS / RHR</p>	<p>December 2013</p>

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INTERNAL CONTROL RECOMMENDATIONS					
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<p>Fixed assets register</p> <p>Internal Audit has identified a number of weaknesses in the Council's arrangements for maintaining the fixed assets register:</p> <ul style="list-style-type: none"> the Council does not undertake asset reconciliations between systems to confirm accuracy of data held within the Asset Register or the Land Terrier/Land Registry. assets that have been disposed of are not always removed from the fixed assets register. <p>Our audit also identified a high level of fully depreciated assets in the fixed assets register.</p> <p>In addition, our audit work identified a number of assets that are still registered in the name of Berkshire County Council, although it is clear these assets belong to the Council.</p> <p>Property, plant and equipment balances could be overstated if assets that are no longer owned or in use by the Council continue to be held in the fixed assets register.</p>	<p>Management should ensure that the following recommendations raised by Internal Audit on the fixed asset register are implemented:</p> <ul style="list-style-type: none"> the Council should carry out an exercise to ensure the accuracy of the asset register. the Council should embed a process whereby all assets for disposals are clearly communicated to the Principal Capital Accountant through the use of a form that this officer is required to sign to confirm removal of disposed assets from the Asset Register or justification is documented to explain why nil value assets remain recorded. <p>The Council should carry out a full review of its fully depreciated assets to determine whether they are still in use and have a value to the Council or whether they should be removed from the fixed assets register and the accounts.</p> <p>In addition, the Council should seek legal advice as to whether or not it needs to formally transfer title for its properties that are still registered in the name of the previous Berkshire County Council.</p>	High	The Council will undertake a full review of fully depreciated assets in the fixed asset register and seek legal advice about its properties that are not registered in the name of the Council.	Corporate Financial Controller	February 2014

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<p>Business rates reliefs</p> <p>Internal Audit identified a number of weaknesses in the Council’s controls over the authorisation and confirmation of on-going entitlement to reliefs granted to business ratepayers.</p> <p>These control weaknesses indicate a risk that NNDR collection amounts and contributions to the national pool may not be based on the most up to date information.</p>	<p>Management should ensure that the following recommendations raised by Internal Audit on business rates processes are implemented as a high priority:</p> <ul style="list-style-type: none"> • an inspector should be put in place and regularly investigate empty properties and small businesses to ensure that these are still eligible for the reliefs and deductions they receive. An inspection timetable should be created to ensure that all properties in receipt of exemptions are inspected cyclically. • the transactional hub contractor should create a review timetable to ensure that regular checks are undertaken to confirm continued eligibility to reliefs and exemptions. 	High	<p>A temporary inspector has been in post since late 2012-13. The FAB Team are also carrying out inspections as needed. An advert is about to be placed in the next couple of weeks for a permanent inspector.</p> <p>A review timetable will be in place once a permanent inspector is in place for empty property inspections.</p>	Transactional Services	February 2014
<p>Register of interests</p> <p>Internal Audit identified a number of weaknesses in the Council’s arrangement for maintaining the register of Members’ and officers’ interests.</p> <p>As part of our audit of related party transactions, we completed a Companies House search for all Councillors and senior officers and compared identified directorships with recorded interests in the register of interests. We found seven undisclosed directorships for the officers sampled, two of which related to organisations in which the officer acts as the Council’s representative.</p> <p>We are satisfied that there were no transactions between the Council and the relevant organisation in 2012/13, and therefore no impact on the related party transactions note in the financial statements. However, the risk of inadequate disclosures of related party transactions in the financial statements is increased if the register of interests is not complete.</p>	<p>The Council should issue further guidance to Councillors and officers to clarify that all directorships should be declared, including those where the post is held as a result of the individual’s role in the Council.</p>	High	<p>Training for staff in Declaring Interest will be updated to include the requirement to declare positions in which they represent the council on external bodies.</p>	AD, Professional services	AD, Professional services

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<p>Schools returns</p> <p>Our audit found a number of schools did not submit all four required quarterly returns to the Education Finance Team, which meant that the Council had to estimate the amount of income and expenditure for such schools to include in the financial statements at 31 March 2013, as well as year end balances for cash, debtors, creditors and reserves for these schools.</p>	<p>Management should work with the schools that failed to return all four of their quarterly certified returns on time for 2012/13, to ensure a clear timetable is agreed with the schools and implemented in future years.</p>	High	To be completed as part of the 2013-14 closedown review programme.	Financial Manager (Wellbeing)	March 2014
<p>Bank reconciliations</p> <p>A number of the year end bank reconciliations, particularly for schools and cash imprest accounts, have been completed a few days before year end.</p> <p>If reconciliations are not completed at the correct date it is possible that bank balances may be misstated if, for example, a large amount is received just before year end and is not accounted for in the correct financial year.</p>	<p>Management should ensure that all year end bank reconciliations are completed to reflect bank statement and cash book balances as at 31 March.</p>	Medium	The council will set out procedure notes for bank reconciliations ensuring they reflect balances as at 31 March.	Corporate Financial Controller	March 2014
<p>Purchase orders</p> <p>Internal Audit's testing found that for 15 out of 20 expenditure controls tested, the purchase requisition was created after the invoice was received.</p> <p>Whilst no payments can be made until invoices are appropriately authorised, good practice indicates that purchase requisitions are appropriately approved before ordering and receiving goods and services. Failure to do so could result in the Council committing itself to inappropriate expenditure or incurring expenditure in excess of allocated budgets.</p>	<p>Management should remind staff that all purchase requisitions should be raised and approved prior to orders being made for goods or services, in accordance with the Council's policies. Management should monitor compliance with these procedures.</p>	Medium	The Council is moving to a 'no purchase order no payment' process to ensure a much higher rate of purchase orders are raised well in advance of invoices being received.	Assistant Director, Commissioning, Procurement & Shared Services	January 2014

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<p>NNDR journals</p> <p>During the audit it was noted that there are inadequate controls over authorisations of NNDR journals, particularly in respect of refunds.</p> <p>The Council could incur loss if there is insufficient approval of journals in areas such as NNDR refunds.</p>	<p>Management should ensure that refunds to business ratepayers are appropriately authorised by an NNDR manager before being processed.</p>	<p>Medium</p>	<p>The Assistant Director of Finance and Audit is discussing this matter with Transactional Services.</p>	<p>TBC</p>	<p>TBC</p>

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USE OF RESOURCES RECOMMENDATIONS					
CONCLUSIONS FROM WORK	RECOMMENDATIONS	PRIORITY	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
<p>Financial resilience</p> <p>Resource gaps have been identified for the period 2014/15 to 2016/17, where savings plans have not yet been identified. Ensuring financial balance over the medium term planning horizon will continue to require strong leadership and action by the Council.</p>	<p>Management should continue to work with budget holders to identify savings schemes to address resourcing gaps over the medium term.</p>	High	<p>Regularly reporting to CMT and to members on the Medium Term Financial Strategy (MTFS) is already being undertaken to ensure that there are clear savings proposals in place over the period of the MTFS.</p>	Assistant Director, Finance & Audit	February 2014
<p>Slough Regeneration Partnership</p> <p>There are currently no agreed key performance indicators in place for the LABV.</p>	<p>The Council should work with partners to develop an appropriate suite of key performance indicators for the Slough Regeneration Partnership and performance should be regularly reviewed at the partnership boards.</p>	High	<p>This recommendation should be for the Council to develop an appropriate suite of performance indicators to be considered.</p>	Assistant Director, Finance & Audit	January 2014
<p>Audit recommendations</p> <p>The Council has recently implemented a formal process to log recommendations made by Internal Audit. A summary of the latest results showed that only 45 per cent of recommendations made by Internal Audit that were due to be implemented by the end of May 2013 had been actioned.</p>	<p>Management should ensure that all outstanding high priority recommendations made by Internal Audit are addressed as a matter of urgency, particularly in respect of weaknesses in the governance, procurement and financial management arrangements within schools still under the control of the Council.</p>	High	<p>The Internal Audit recommendation tracker is regularly monitored and report to the Audit Committee on a quarterly basis. The most recent report to the audit committee shows that 48% recommendations have been assessed as fully implemented with 22% partially implemented and 9% superseded.</p>	Assistant Director, Finance & Audit	On-going