

Appendix A

Statement of Accounts Recommendations and Action Plan

Prior Year Recommendation	Current Year Recommendation	Action Taken	Proposed Action
Working Papers Management should carry out a detailed review of its 2012/13 closedown process to identify how improvements can be made. 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.	Whilst there has been improvement in the quality of the Council's working papers since the prior year, there remains Significant scope for improvement. Management should carry out a critical review of the outcomes of the 2013/14 audit to identify the areas where further improvements need to be made in closing down the accounts and producing effective working papers.	A complete review was undertaken after the 2013/14 audit to inform 2014-15 accounts closedown. Improvements have been made since the previous year and these will continue to be built upon.	The Council has once again set up an accounts closedown project group to oversee the preparation for and delivery of the 2014/15 accounts closedown process. The project plan has set out the processes and arrangements that needed to be put in place by the finance team, service areas and third party provider to effectively produce the financial statements for 2014/15 in light of the external auditors recommendations. The project plan also included actions to ensure that

			<p>supporting working papers were adequate and produced on a timely basis. A soft. month 9 closedown will be completed to assist in preparing some of the areas mentioned in this report earlier.</p> <p>Receiving BDO.s working paper requirements during the preparation for closedown will greatly assist this process.</p>
<p>Property valuations</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>	<p>Management should more fully document its thought process and evidence to support the representation that the carrying values of non-current assets that have not been formally revalued in the year remain materially accurate as fair value at year end.</p>	<p>There remains scope for improvement in the Council's evidence supporting the carrying value of properties that have not been revalued in the year.</p>	<p>Dialogue has already begun with our valuers and this recommendation will be built into the timetable and closedown plan. Wilks, Head and Eve have been commissioned to carry out impairment reviews for General Fund and HRA assets each year but asset management will be incorporated into this work.</p>
<p>Depreciation of non-current assets</p> <p>: Useful economic lives</p> <p>(a) Management should more fully</p>	<p>Management should more fully document its annual review of useful lives, depreciation methods and residual values of</p>	<p>Additional resource was used to produce a detailed review of the asset register. The majority of</p>	<p>All assets will be reviewed and discussed with BDO to ensure this recommendation is fully</p>

<p>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>	<p>all classes of assets, particularly where assets have not been formally revalued.</p>	<p>the work produced was too late to impact on the 2013/14 statements but will help to resolve these issues during 14/15.</p>	<p>met.</p>
<p>Accrual for special education needs (SEN)</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>	<p>Management should carry out a critical review of the working papers produced to support the year end SEN accrual to ensure that they fully evidence all assumptions made and any impact from prior year under/over accruals.</p>	<p>There were a number of issues regarding the working papers provided to support the year end SEN accrual. In addition these do not clearly show how the prior year accrual compared to the actual payments made post year end and therefore the extent of any under/over accrual from the prior year impacting on the current year.</p>	<p>This recommendation will be given high priority within the closure of accounts group. A new resource and additional resource has been allocated to this task to ensure that the Council work with the schools to produce the necessary figures for the accounts and the working papers to enable the figures to be audited.</p>
<p>Fixed assets register</p> <p>Management should ensure that the following recommendations</p>	<p>Management should ensure that Internal Audit's recommendations on the asset</p>	<p>Internal Audit's conclusion on the asset register in 2013/14 was rated amber as</p>	<p>Work is ongoing to implement all the internal audit</p>

<p>raised by Internal Audit on the fixed asset register are implemented:</p> <p>□ 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. 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. 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>	<p>register review in 2013/14 are fully implemented in accordance with agreed timelines</p>	<p>the majority of its previously stated recommendations in this area have not been fully implemented.</p> <p>The Council has reviewed its fixed asset register and written out a number of assets that are no longer in use of held by the Council. Work is in progress to determine whether the Council needs to formally transfer title for its properties that are still registered in the name of the previous Berkshire County Council.</p>	<p>recommendations in line with the action plan.</p>
<p>Purchase orders</p> <p>Management should remind staff that all purchase requisitions should be raised and approved</p>	<p>Management should monitor compliance with its new .No Purchase Order, No Pay. policy as failure to comply with this</p>	<p>In September 2013 the Assistant Director, Finance & Audit gave a presentation to the Council's senior</p>	<p>Monthly reports are being run to see progress against this policy and which services are</p>

prior to orders being made for goods or services, in accordance with the Council's policies. Management should monitor compliance with these procedures.	policy could result in the Council committing itself to inappropriate expenditure or incurring expenditure in excess of allocated budgets.	leadership team which included the issue of purchase requisitions being raised retrospectively of receiving invoices. Throughout 2013/14 a number of purchase requisitions have continued to be raised retrospectively (16 out of 25 tested by Internal Audit), however management believes that the Council's new .No Purchase Order, No Pay. Policy has been fully in place from 1 April 2014.	improving performance. Training is also being rolled out to improve Compliance.
N/A	Transactions posted to the general ledger should be fully reconciled to underlying schools returns. Management should complete a review of the consolidation of schools transactions into the CIES and balance sheet as part of the accounts closedown process.	This will be reviewed as part of the closedown review.	
N/A	The Council's closedown procedures should include a process to calculate a reasonable carrying value for replaced components of council	This will be included in the management review of assets and as part of the month 9 closedown.	The Council currently depreciate dwellings over 50 years. Our external valuers estimate the weighted

	<p>dwellings, which takes account of any accumulated depreciation and impairment, rather than derecognising the components at the same value as the capital expenditure incurred.</p>		<p>average life for flats is 42 years and 46 for houses. Based on work done during the 13/14 audit and discussions with BDO it is believed a move to depreciating over the weighted average life will be a closer approximation to the value of depreciation if the council fully componentised its council dwellings. The council will therefore amend its Accounting policy on the depreciation of dwellings to reflect this</p>
N/A	<p>Employment Taxes As part of our risk assessment procedures for the audit, our employment taxes specialist has carried out a review of the Council's arrangements in respect of employment taxes and raised a number of recommendations for improvement. Management should monitor the implementation of the</p>	<p>An action plan is in the process of being agreed.</p>	

	recommendations raised by BDO.s employment tax specialist.		
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