

Management response to Control Observations – 2020/21 accounts

Control area		Current year update
<p>Quality of draft financial statements</p>	<p>The initial draft financial statements which were published for public inspection and presented for audit were not of the expected standard. Issues noted included:</p> <ul style="list-style-type: none"> <li>• The non-receipt of a completed CIPFA disclosure checklist accompanying the financial statements subject to audit;</li> <li>• Material misstatements in the underlying accounting for transactions;</li> <li>• Inconsistencies between notes in the financial statements;</li> <li>• Differences between primary statements and notes; and</li> <li>• Differences noted during our call and cast process.</li> </ul> <p>Together these indicate weaknesses in the financial reporting and close process. We recommend the Council reviews the year-end reporting and close process, including:</p> <ul style="list-style-type: none"> <li>• preparation of a skeleton draft of the financial statements ahead of year-end, reviewed against the Code for any changes in the year and for the disclosure requirements for any new or changed activities of the Council;</li> <li>• documentation and quantification of judgments in respect of materiality of disclosure requirements in preparing the accounts;</li> <li>• review of the completed CIPFA disclosure checklist;</li> <li>• documented and reviewed internal checks of internal consistency;</li> <li>• completion of the CIPFA “pre-audit checks on draft year-end accounts” checklist; and</li> </ul>	<p><b>Management response</b></p> <p>The Borough has put in place a new team and a new methodology for the production of its financial statements. The model that has been developed draws directly on the Trial Balance drawn directly from the financial information system. The format of the statements and notes drawn from the trial balance can be flexed to meet any changes in reporting requirements specified in the CIPFA Code. As part of the development of the model attention has been paid to:</p> <ul style="list-style-type: none"> <li>• Linking the format of the model to the requirements set out in the Disclosure checklist</li> <li>• Understanding the requirements of the Code and the impact of activity entered into by the Borough</li> <li>• Self-checking within the model to ensure consistency throughout the accounts</li> <li>• The primary statements being drawn from the notes</li> <li>• Use of excel to ensure that tables are correct</li> </ul> <p>The Borough has implemented improvements through the production of the 2021/22 and 2022/23 financial statements which include ensuring:</p> <ul style="list-style-type: none"> <li>• The financial accounts model can be flexed to meet the new code requirements.</li> <li>• The preparation of papers to support material accounting transactions and judgements for consideration by senior management and external auditors</li> <li>• Recording of activity within the financial statements on the disclosure checklist</li> <li>• Validations built into the financial statements model to ensure consistency of reporting</li> <li>• That the checks are made on the statements and supporting papers so that they are ready for external audit at the start</li> </ul>

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	<ul style="list-style-type: none"> <li>documented and reviewed internal tie back and referencing of the draft financial statements to supporting working papers.</li> </ul>	<ul style="list-style-type: none"> <li>That working papers are tied into the trial balance and financial statements, evidenced and reviewed to ensure that the information is clear and understandable</li> </ul> <p><b>Conclusion: Ongoing</b></p>
Maintenance of debtors listing (Council Tax and business rates)	<p>Management is not able to produce council tax and Business rates receivables listing as at 31 March 2021. The main reason is that the system is a live system, and these reports were not run at year-end date.</p> <p>This therefore limits the ability of management to perform assessments of these listings and perform reviews which presents a significant control weakness and may impact our audit opinion.</p> <p>We recommend that a process is put in place to allow the retrospective running of these reports, and that copies are retained for all year-end positions.</p>	<p>The report on council tax receivables was run for 2020/21 and provided to audit satisfaction. Also, the reports for the financial years 2021/22 and 2022/23 have been run successfully for council tax and available for future audits. The revenues team exhausted all available means to run business rates reports retrospectively, however, it was not possible to provide the position at that time as the feeder system is live and continually updated as accounts are raised, and payments made. The council will make sure that the business rates reports are scheduled and run on 31/03/2024 for financial year 2023/24 audit.</p> <p><b>Conclusion: On-going</b></p>
Accounts closure	<p>The Authority provided work papers in response to our audit request list for the start of the audit which we understand met the expectations of the Authority's previous auditors and were in line with what the Authority understood to be required. However, on review, we considered that a number of the work papers were not in line with what we would have expected for the audit, for example, there were challenges in mapping some work papers to the Statement of Accounts, and some work papers were not in the level of detail or format that we had expected and required for our testing.</p> <p>We and the finance team have worked together this year to resolve these matters, but this has taken significantly more time than anticipated. As a result, in a number of areas, it has not been possible for officers to provide information for key samples within a reasonable timeframe. Additional time has also been spent in order to understand the accounting treatment for investments in associates and the local enterprise partnerships.</p> <p>These issues have impacted on the achievement of the overall timetable and have led to additional audit costs in 2018/19, 2019/20 and 2020/21.</p>	<p><b>Management response</b></p> <p>The Finance team has been changed since the completion and publication of the draft 2020/21 financial statements and the commencement of initial audit post draft submission. The new finance team possesses a broader skill set and experience to prepare accounts to the enhanced standards and audit expectations.</p> <p>The process of the production of the financial statements has been reviewed and a new year-end closedown model for the Statement of Accounts has been set-up with an emphasis on producing and linking major statements and the majority of the key notes to the trial balance for better audit trail. The new model is designed in such a way that it will enable direct population of major/key notes from the trial balance using automated reports from FMS. Also, checks have been built in to make sure accounts and movements to balance sheet codes are balanced and tie back to sub notes. The 2021/22 and 2022/23 accounts have been produced using the new model with the automation of majority of notes.</p> <p>Training sessions have been and will continue to be provided to the finance team to refresh and update skills. The sessions will cover a number of topics but will include expectations on working papers and</p>

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	<p>We recommend that the Council considers whether there are year-end processes which can be streamlined or pulled forward to earlier in the year.</p>	<p>documentation that is expected to be provided and reviewed as part of the production of the financial statements.</p> <p>A wash up session of the 2020/21 accounts will be undertaken with external auditors so that lessons can be learned from the audit and fed into future years' accounts production and fed back to finance teams so that lessons learned can be shared.</p> <p><b>Conclusion: Ongoing</b></p>
<p>Capacity and capability in the finance function and other functions to support the financial reporting and close process</p>	<p>The Council should undertake a detailed review of the capability and capacity in the finance function, including the capability and capacity to deliver a high quality statement of accounts and supporting work papers before the deadline for the audit, and sufficient capacity and capability to respond to audit queries during the audit period. This should include training of finance function and other functions that input to the financial reporting process on the adequacy of information prepared and retained to support the accounting entries, a detailed review of the control framework for financial reporting which includes implementation of internal and external recommendations, and review and implementation of improved quality control arrangements over the preparation of the statement of accounts and supporting work papers;</p>	<p>The Council has lost a number of staff from the time of the production of the 2020/21 draft financial statements and has had to backfill with interim staff to provide capacity within the team. The Council is in the process of filling vacancies within the finance team to establishment levels. The recruitment process will be focussed on the capability of candidates to meet role criteria.</p> <p>The process of the production of the financial statements has been reviewed and a new year-end closedown model for the Statement of Accounts has been developed with an emphasis on producing and linking major statements and the majority of the key notes to the trial balance to provide a more automated approach to the production of the statements and also to provide a clearer audit trail.</p> <p>Emphasis has been put on production of quality working papers, their review by senior finance staff and approval before being processed in the financial management system.</p> <p>Training sessions have been and will continue to be provided to the finance team to refresh and update skills. The sessions will cover a number of topics but will include expectations on working papers and documentation that is expected to be provided and reviewed as part of the production of the financial statements.</p> <p><b>Conclusion: Ongoing</b></p>
<p>Missing interest disclosure forms</p>	<p>In order to prepare related party disclosures and as part of controls of conflicts of interest, the Council obtains signed interest disclosure forms from "key management personnel" (which includes councillors).</p>	<p><b>Management Response</b></p> <p>Of the two missing interest disclosures, one was subsequently provided. With regards to the other, the staff member left the council</p>

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	<p>Management was unable to provide the disclosure form for two key management personnel, which is contrary to RBWM policies, and limits the evidence available to support completeness and accuracy of the related party disclosures.</p> <p>We recommend that Management should put in place measures to ensure all the interest disclosure forms from the key management personnel are completed and these should remain up to date</p>	<p>on 20 November 2022 and it has not been possible to get a disclosure completed retrospectively.</p> <p>The council has put in place measures to make sure that the returns are completed by “key management personnel” where the senior managers are required to complete their returns.</p> <p><b>Conclusion: Closed</b></p>
Journal Controls	<p>During our testing of the design and implementation of controls relating to management override and specifically relating to review of journals, we noted there is no audit trail to evidence the review of the control where each month a report of the journals posted to each general ledger code area is run and passed to the responsible officer for review.</p> <p>We recommend that management should keep records for the review of the journals.</p>	<p><b>Management Response:</b></p> <p>The Council has automated workflow process, and the majority of journals can be processed through Agresso using the automated workflow process. When a finance officer enters a journal, it is routed via predefined distribution rules to the relevant finance line manager. Backup documentation is also added which is reviewed at the point of authorisation. The automated system process then posts any approved journals to the general ledger in the current period.</p> <p><b>Retrospective Approval of Journals</b></p> <p>Certain types of journal (non JL transactions) cannot be routed through the system workflow process. These journals are downloaded each month and manually reviewed and signed off by the relevant finance officer (Senior Finance Business Partner/Chief Accountant/Finance Business Partner). The data files and sign off confirmations are electronically stored for future reference.</p> <p><b>Conclusion: Closed</b></p>
Review of completeness of Investment properties valued by Valuers	<p>During the audit we noted that there was no control in place to check the completeness of Investment properties in the valuation report.</p> <p>We recommend introducing controls over review of completeness of information provided to the valuer and also to reconcile the 3rd party valuation back to the fixed asset register, as key controls to address risks of errors and omissions in accounting for a significant accounting estimate.</p>	<p>The Borough is reviewing its processes for management of all property transactions within its Fixed Asset Register, TechForge. This will include reviewing the information provided to and received from the external valuers. Protocols will be put in place to ensure that the system use is maximised.</p> <p>The Borough will also be undertaking training on the use of TechForge to ensure that there is a wider understanding of how to</p>

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		<p>maintain records and to improve the understanding of accounting for non-current assets.</p> <p><b>Conclusion: Ongoing</b></p>
Trial balance and financial statements preparation	<p>The Council's financial statement preparation and underlying ledger and related mappings do not provide a robust audit trail to map balances to the financial statements and track adjustments, with changes hard coded in the excel accounts draft.</p> <p>We recommend the following:</p> <ul style="list-style-type: none"> <li>• revisiting the underlying general ledger structure to provide clear support and mapping to the principal financial statement line items;</li> <li>• preparing a clear consolidation schedule to support group numbers; and</li> </ul> <p>maintaining a clear extended trial balance with documented rationale for adjustments made between versions of accounts (and whether updated in ledger).</p>	<p>The process of the production of the financial statements has been reviewed and a new year-end closedown model for the Statement of Accounts has been set-up with an emphasis on producing and linking major statements and the majority of the key notes to the trial balance for better audit trail. The new model is designed in such a way that would enable direct population of major/key notes from the trial balance using automated reports from FMS or provides a control total that would be provided from alternative systems, e.g. Tech Forge. Also, checks built in to make sure accounts and movements to balance sheet codes are balanced and tie back to sub notes. The 2021/22 and 2022/23 accounts have been produced using the new model with the automation of majority of notes.</p> <p>The coding structure has been reviewed and new codes created to ensure greater granularity of items that form the statement of accounts. The coding structure will continue to be reviewed and training will be given to the finance team on the accounting processes to be followed to ensure smoother statutory reporting.</p> <p><b>Conclusion: Ongoing</b></p>
No audit trail of detailed review of the revaluation journal posting	<p>Although there is evidence of reviewer sign-off on the revaluation journal, in testing the implementation of this control we were not able to obtain evidence of the detailed review of the journal and its underlying support, including checking back to the valuer's report of the figures included in the journal.</p> <p>We recommend that evidence of review and challenge should be maintained as part of the audit trail for the review process. Although we understand management have planned responses to this for the 2022/23 financial statements, this was not addressed for 2020/21.</p>	<p><b>Management Response</b></p> <p>As part of the improvements on the use of the Borough's Fixed Asset Register, TechForge, there will be a greater use of the reports from within the system to provide a check against the valuation reports and to support revaluation journals.</p> <p><b>Conclusion: Ongoing</b></p>
Review of property valuation reports	<p>The valuation of properties is dependent on officers' assumptions (or input from officers in forming assumptions) including the location and functional obsolescence of the</p>	<p><b>Management Response:</b></p> <p>The Borough will review its current processes for supporting property valuations, both in providing information to the valuers and then</p>

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	<p>existing properties and information provided by officers, including the number, type and condition of council dwellings and the floor space of schools. A paper was not prepared which set out the key assumptions, and officer's view on whether the revaluation assumptions are appropriate.</p> <p>There was no evidence of a documented review control by officers over the valuation report received from KCC.</p> <p>We recommend that a paper should be prepared and set out the review of key assumptions, and officer's view on why the revaluation assumptions are appropriate.</p>	<p>reviewing the output of the valuation report. As part of the improvements in the use of the Borough's Fixed Asset Register, a review of the valuation process will be undertaken in light of the external audit recommendations.</p> <p><b>Conclusion: Ongoing</b></p>
Review of capital spending classification	<p>The control over capital spending classification requires review of each invoice, and where there is a question over whether a particular invoice is capital or revenue this is raised through the ranks of seniority (where appropriate training has been delivered).</p> <p>However, the limit of the control is that the check centres on whether a given spend amount is within a budget or not (with budgets already having been pre-approved). This control would capture extra budgetary spend on a project but does not address the risk that items are inappropriately treated as capital when not meeting the requirements of IAS 16.</p> <p>We further identified that in the review of Capital Additions by Budget Steering Group meeting and approval by Cabinet control, there is no sufficiently detailed control at the budget approval stage to address the risk of classification.</p> <p>There is not a documented control which demonstrates a challenge on the capital or revenue classification of items. The meetings consider the value and worth of a project from a budget/spend perspective i.e. "is this work necessary and worthwhile" but do not challenge on whether it is revenue or capital.</p> <p>We recommend putting in place explicit consideration and documentation of the accounting treatment of expenditure, supported where needed by reference to the requirements of</p>	<p><b>Management response</b></p> <p>As part of the financial monitoring of capital projects, a review of expenditure incurred is undertaken to determine whether it meets the criteria for classification as capital. Where expenditure against capital codes is identified as being revenue in nature then it is transferred to the relevant revenue budget head.</p> <p>Document poster and reviewer info on Agresso.</p> <p>Items that are not capital in nature are removed from the bids list prior to capital review board prioritising capital bids. If essential, these are put forward as a revenue pressure by the service. This applies to both items that are revenue in nature and items below the £20k capital de minimis.</p> <p><b>Conclusion: on-going</b></p>

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	relevant accounting standards and the Code, with documented evidence of the operation of this control.	
Review of information provided to property valuation experts.	<p>The accuracy of the valuation of properties is dependent on the accuracy and completeness of the data provided to the valuers.</p> <p>During the audit we noted that there was not an audit trail to evidence the review process on the information provided to the valuer.</p> <p>We recommend that the Council puts in place measures where the information which is provided to the valuer is reviewed by appropriate individuals within both operational and finance teams to ensure accurate and complete information is provided, and where relevant assumptions and knowledge about the assets are shared with the valuer, with evidence of review retained.</p>	<p><b>Management response</b></p> <p>The Borough will review its current processes for supporting property valuations, both in providing information to the valuers and then reviewing the output of the valuation report. As part of the improvements in the use of the Borough's Fixed Asset Register, a review of the valuation process will be undertaken in light of the external audit recommendations.</p> <p>Property colleagues have been advised to maintain documentation to verify that valuation information has been checked by a senior member of staff before passing on to external valuers.</p> <p><b>Conclusion: Ongoing</b></p>
Preparation of Accounting papers	<p>Accounting papers were not prepared to explain and support key judgements and estimates, including the on-going pertinence of judgements made in previous years, or were not sufficiently detailed to explain and support those judgements and estimates. It is good practice (and the expectation of the Financial Reporting Council) for organisations to prepare accounting papers in respect of key matters in the application of accounting standards, in particular for matters of judgement or of estimation complexity. Typically, these would include consideration of the relevant requirements of the accounting standards and the Code, the fact pattern (including details of relevant terms of contracts etc.), an assessment of how the standards apply in this context, consideration of potential alternative treatments, the proposed approach to measurement/calculation of accounting entries required, and the required disclosures.</p> <p>The preparation of accounting papers both supports accurate financial reporting, including facilitating both internal and external review and challenge, and provides a resource to ensure institutional knowledge is retained in the organisation.</p> <p>We recommend the Council adopts an approach of preparing papers for any key accounting judgements or issues arising.</p>	<p><b>Management response</b></p> <p>The development of the Statement of Accounts model for 2021/22 improved the evidence base in supporting the values used in the statement of accounts. Measures have been put in place and the finance staff advised to make sure working papers tie back explicitly to the trial balance.</p> <p>Training sessions have been provided and continue to be provided to the finance team to refresh skills. The sessions covered a number of topics but explicitly included expectations on working papers and documentation that is expected to be provided and reviewed as part of the production of the financial statements.</p> <p>A retrospective review of the 2020/21 accounts will be undertaken with external auditors so that lessons can be learned from the audit and fed into future years' accounts production."</p> <p><b>Conclusion: On-going</b></p>

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	<p>We also recommend that accounting papers are presented to the same meeting of the Panel at which the draft statement of accounts are approved (if not earlier) for scrutiny and to inform the panel's approval of the draft statement of accounts.</p>	
<p>Assessment of impairment of receivables and loans</p>	<p>The Council did not consider requirements of IFRS9, Financial instruments to assess the expected loss on loans and receivables. Historical rates were not adjusted for by forward looking information.</p> <p>We recommend that the expected credit losses calculation is based on historic recoverability rates adjusted by forward looking information and based on historical recoverability on those where IFRS9, financial instruments is not applicable.</p>	<p><b>Management Response:</b></p> <p>We have amended our approach in accordance with IFRS9</p> <p><b>Conclusion: Closed</b></p>
<p>NNDR debtor provisioning</p>	<p>The methodology adopted for provisioning for NNDR receivables at 31 March 2021 was not appropriate, as it does not take any consideration of the level of debtor outstanding in assessing the expected amount recoverable.</p> <p>We recommend management review the approach adopted and amend for future accounting periods.</p>	<p><b>Management Response:</b></p> <p>In light of Covid-19 impact, advice was taken from external consultants on NNDR provision and based on that advice, the debtors' provision was provided.</p> <p>As part of 2024/25 budget setting process, the approach based on the external consultants' advice on debtors' provision is being benchmarked and will be reviewed. This will be agreed with senior management team and implemented accordingly.</p> <p><b>Conclusion: On-going</b></p>
<p>Taxation debtor provisioning</p>	<p>We recommend management review the data used for debtor provisioning for taxation and other non-exchange debtors, and whether historical experience appropriately supports the provision rates used. Although particularly challenging to estimate at 31 March 2021 in the context of the pandemic, the underlying provision rates are not supported by suitable documented analysis and justification of the provision rates used.</p>	<p><b>Management Response:</b></p> <p>At the point of preparation of the 2020/21 outturn report and the draft financial statements, the Borough used the most up to date information available.</p> <p>The methodology has been reviewed as a part of 2024/25 budget setting process. This has been bench marked against the neighbouring authorities and a revised provision has been made.</p> <p><b>Conclusion: On-going</b></p>
<p>Redundancy Provisions</p>	<p>Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a restructuring provision is recognised only when both of the following conditions are met:</p>	<p><b>Management Response:</b></p> <p>Recommendation noted and advice has been shared with finance team</p>



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	<ul style="list-style-type: none"> <li>• there is a detailed formal plan for the restructuring; and</li> <li>• an organisation has raised a valid expectation in those affected that the plan will be implemented i.e. either by starting to implement the plan or announcing its main features to those affected.</li> </ul> <p>Deloitte noted that the council made provision for redundancies which did not meet the recognition criteria above. We recommend management to consider the requirements of Accounting standards in recognising the provisions.</p>	<p><b>Conclusion: Closed</b></p>
Monthly management accounts process	<p>The Council's management accounts process and monthly monitoring is focused upon net outturn (rather than review of income and expenditure values against budget, or of the balance sheet and cashflow movements in the period). Although this approach is common in local government, this means that the review processes are less able to detect fraud or error, and we do not consider this to be in line with best practice.</p> <p>We recommend management consider implementing a full monthly management account process, with review against budget for income and expenditure by type, and review of the balance sheet position. This may require consideration of which accruals processes are appropriate to operate each month (or quarter), and which are appropriate as annual processes.</p>	<p><b>Management Response:</b> RBWM is committed to best practice and as we continue to focus attention on our budgets and monitoring, there is a rigorous process of monthly monitoring process in place. Actuals are compared to budgets and variances are reported both on income and expenditure to Senior Management Team. Reports are provided to Cabinet monthly but at a variance level to ensure that information is focussed on the major issues identified and not hidden by extraneous data.</p> <p>In addition to monthly review of revenue and capital, measures have been put in place to carry out monthly reconciliations on the balance sheet codes including control accounts.</p> <p><b>Conclusion: On-going</b></p>
Review of Covid 19 grants	<p>In our testing of the design and implementation of controls around Covid-19 grants, no supporting documentation could be provided to evidence that officers review each grant agreement at the start of each grant and assess whether there are any conditions or restrictions associated with the grant and the review process of this judgement is not documented. We noted differences in treatment to that which we would expect for a number of grants as noted on page 17.</p> <p>We recommend that inspection of grant agreements and review of judgements in relation to these are formally documented.</p>	<p><b>Management Response:</b> The current finance team has been trained on grants accounting from their inception to their utilisation with correct accounting treatment required and to be followed. A Grants Register is maintained which records each grant received, conditions attached to it and its subsequent utilisation.</p> <p><b>Conclusion: Closed</b></p>
Reclassification of assets under	<p>We identified that an item of assets under construction that was completed in 2019/20. This asset was however not</p>	<p><b>Management Response:</b></p>

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<p>construction when complete</p>	<p>fully transferred out of assets under construction into the category of property, plant and equipment to which it relates. This was also the case in prior year.</p> <p>We recommend the Council implements a documented control where assets held under construction are reviewed in order to verify whether or not they are complete at 31 March, and to ensure appropriate transfers to other categories of fixed assets.</p>	<p>Accountants are reminded regularly to inform budget managers of the importance of updating the status of projects on a monthly basis. This aids the identification of completed assets by year end. In addition, Property services send out a request to managers towards the end of each year to inform them of completed projects as part of the enhancement an impairment review.</p> <p>Capital training will be provided to the finance team, which will include the requirements for capital accounting and statutory reporting. Managers will be reminded of the importance of updating project status.</p> <p><b>Conclusion: On-going</b></p>
<p>Ledger structure and preparation of the CIES and reserves notes.</p>	<p>The Council's ledger structure is focused upon management accounts requirements and is not structured to support the requirements of the financial statements. A single ledger grouping, "AK20", is used for posting a range of different accounts movements effectively directly to reserves, which then need reanalysis to prepare the CIES and to allocate to appropriate financial statement lines. The Councils' historic audit trail and support for this reanalysis has not been adequate and has not included appropriate review and control steps over the entries required, resulting in errors identified in the audit (including entries requiring restatement).</p> <p>We consider the ledger structure used in 2020/21, in the absence of a rigorous structure of mitigating controls, to be a significant weakness in the council's financial reporting arrangements.</p> <p>We recommend the council revisit its ledger structure, with at least one separate general ledger account code underpinning each required line in the CIES and supporting notes, a clear and maintained mapping of ledger codes to financial statement line items (with appropriate review controls over the mapping and changes thereto), and, where reanalysis of ledger codes for accounts preparation is required, a clear structure of high quality reconciliations with documented rationale and evidence for analysis and appropriate controls</p>	<p><b>Management response</b></p> <p>A new below the line hierarchy structure was set up for 2021/22 accounts. This included separate account codes, cost centres and analysis codes for below the line accounting on CIES including separate codes for appropriations between the cost of services and the reserves codes on balance sheet. 2021/22 MiRS derived from newly set up appropriation codes and a new below the line hierarchy set up to prepare CIES entries direct from the trial balance.</p> <p>The coding structure will continue to be developed to ensure that the Statement of Accounts production can be more automated.</p> <p><b>Conclusion: On-going</b></p>

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	over the reanalysis process. We understand that changes have been made for subsequent periods, with changes partially implemented in 2021/22 and further extended during 2022/23.	
Documentation of arrangements about funds held on behalf of other entities	The Council holds funds on behalf of a number of other organisations, most significantly the Thames Valley Local Enterprise Partnership. In 2020/21, the Council used cash to fund Council capital expenditure rather than borrowing from other sources (while recognising amounts due to other entities as borrowings in the financial statements). We recommend the Council put in place documented agreements with the other organisations setting out arrangements over funds held on their behalf, and ensuring appropriate governance that reflects individual arrangements.	<p><b>Management Response</b></p> <p>The Council will set out its accounting arrangements in an Accounting Paper for those activities where it acts as an agent. This will be shared with relevant organisations so that they understand the basis of arrangements between them and the Council.</p> <p><b>Conclusion: On-going</b></p>
Fixed asset system	<p>There is an identified issue in the fixed asset system, where changes to the register (in particular splitting assets) can lead to changes to the reported opening balances of cost and accumulated depreciation. This can then result in inconsistencies between reports from the fixed asset system and the correct cumulative position, and so reconciling differences to the financial statements.</p> <p>We recommend reviewing the system and report set up to mitigate if possible, and otherwise to put in controls over the reconciliation of the correct cumulative position against the ledger.</p>	<p><b>Management response</b></p> <p>The Borough's Fixed Asset Register, TechForge, provides a whole suite of reports to provide information for the production of financial statements. Differences between closing balances for one year and opening balances for another year on detailed reports can be due to a number of reasons:</p> <ul style="list-style-type: none"> <li>• transfer of assets between categories</li> <li>• splitting assets</li> <li>• deletion of assets</li> <li>• changing assets to de minimis when they had a carrying value in the prior year</li> </ul> <p>The first two bullet points are normal functions within the operation of the Fixed Asset Register and there are reports within the system which shows all movements to enable reconciliations to be undertaken.</p> <p>The second two bullet points, whilst allowable in the system, result in records being removed from reports for the current year which then means that manual reconciliations need to be undertaken to balance closing balances for one year with the opening balances for the next. The summary report that produces the notes to the financial statements takes in to account the movements of assets in relation to the first two bullet points.</p>

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		<p>The introduction of protocols, controlled by the capital accountant, for the recording of data impacting on financial records within the system will mitigate the difficulties previously identified.</p> <p><b>Conclusion: On-going</b></p>
Consideration of sale of assets	<p>From our investigation into the objection in respect of the Nicholsons Shopping Centre valuation, we recommend going forward that the Council formally documents its consideration of the best valuation approach to use for the sale of assets together with any supporting calculations, consideration of development value and appetite for risk.</p>	<p><b>Management response</b> The Royal Borough will review its processes in respect of the sale of assets and the judgements made in determining best value and document actions taken.</p> <p><b>Conclusion: Ongoing</b></p>
Public approval of transfer of assets to RBWM Property Company Limited	<p>From our investigation into the objection in respect of transfers of properties to RBWM Property Company Limited, as we could not identify the transfer of property at 106 West Borough Road in publicly available documentation (it was included in Part 2 Cabinet minutes) we recommend to the Council that the approval of all assets transferred to the property company are included in publicly available information (Cabinet public document packs).</p>	<p><b>Management response</b> There may be considerations with certain property transactions where there is a need to maintain commercial confidentiality. However, the Royal Borough will strive to ensure that all appropriate information is made publicly available.</p> <p><b>Conclusion: Ongoing</b></p>
Balance sheet reconciliations review controls	<p>The Council has historically not had in place a “balance sheet reconciliation” process to reconcile the general ledger to supporting analyses, with documented review over this. In many instances, we noted that the supporting analyses of balances showing the actual make up of balances (rather than a transaction listing) were not available. We understand that subsequent to 2020/21, the Council has begun introducing this type of control, but this was not fully in place by 31 March 2023.</p> <p>We recommend the Council put in place a regular balance sheet reconciliation and review process. Best practice would be to do this on a monthly basis, and minimum frequency we would expect is quarterly, with more detailed review as part of the year-end process (as not all accounting estimates are prepared each month).</p>	<p><b>Management Response:</b> The reconciliation of balance sheet codes process has been formalised and undertaken more regularly, with management reviews, to ensure that information in the balance sheet can be relied on.</p> <p><b>Conclusion: Ongoing</b></p>

Control area		Current year update
Review of Capital additions during Capital Review Board meetings and approval by Cabinet.	Deloitte has noted that there is a control in place in which capital additions are reviewed during capital review board meetings and there is approval of capital additions by the cabinet. The meetings consider the value and worth of a project from a budget/spend perspective i.e., "is this work necessary and worthwhile" but do not challenge on whether it is revenue or capital in nature. We recommend that there is consideration and challenge whether the items included as additions are of revenue or capital nature.	Currently, as part of the financial monitoring of capital projects, a review of expenditure incurred is undertaken to determine whether it meets the criteria for classification as capital. Where expenditure against capital codes is identified as being revenue in nature then it is transferred to the relevant revenue budget head.  <b>Conclusion: On-going</b>
Lack of audit trail for the review of pension reports.	The valuation of pension liabilities is performed by the Actuary. However, there was no evidence of management review of the IAS19 reports issued by the Actuary. We recommend that a paper is prepared and set out the review of key assumptions, and officer's view on why the assumptions are appropriate and evidence of review and challenge should be maintained.	Going forward, the Council will make sure that the review of the ISA 19 reports by the Pension Fund Manager is done in conjunction with the S151 officer and documented.  <b>Conclusion: On-going</b>
Those in charge in governance lack significant influence over financial reporting internal controls.	Deloitte have noted several financial reporting control deficiencies in the prior year (such as reconciliations), which have not been implemented by entity management in the 2020/21 audit period. We also identified multiple misstatements that had occurred as a result. We recommend that those charged in governance follow up on the implementation of the control observations.	<b>Management Response</b>  These will be reported regularly to the Audit and Governance Committee  <b>Conclusion: On-going</b>
Recording of accruals and payables in the general ledger	During our testing of accruals , we noted that within accruals listing , there were several balances which were supposed to be recorded in the Trade payables account code because the council had received the related invoices before the year end. We recommend that proper process is put in place to identify what constitutes payables and accruals.	<b>Management Response</b>  Yearend processes will be reviewed to mitigate this issue.  <b>Conclusion: On-going</b>
User access reviews	In our test of access controls, we noted that for the Agresso application, the users access are not reviewed for appropriateness based on their access privileges and role-based segregation of duties, furthermore, there is no formal evidence maintained to corroborate that the review had taken place.  We recommend that this review is performed on a regular basis and formally documented	<b>Management response</b> Access to raise purchase orders and sales orders is delegated and reviewed on an annual basis.  The Approval of transactions is restricted to the assigned cost centre manager. The Approver role is segregated from access to input purchase order transactions.  <b>Conclusion: Closed</b>

Control area		Current year update
Agresso application passwords configuration.	<p>In our test of access controls on Agresso application, we noted that password configurations were not in line with the recommended industry standards. Weak passwords configurations exposes the council to unauthorised individuals gaining access to the system.</p> <p>We recommend that the password expiry period should be updated to align with the recommended best practice.</p>	<p><b>Management response</b></p> <p>The system is set up with Windows authentication so users access the system using their IT password which complies with their controls.</p> <p>Specific Agresso password use is set with 35 days expiry as per previous IT recommendation. Password length and configuration will be reviewed to strengthen control. However, strong controls are in place to access the network prior to accessing the application.</p> <p><b>Conclusion: Closed</b></p>
Change Management	<p>It was identified that there is no formal change management policy in place. Furthermore, although changes are tested and approved, there is typically no segregation of duties between those who develop changes, and those who implement changes.</p> <p>We recommend the council to implement a change management policy which should also address segregation of duties.</p>	<p><b>Management response</b></p> <p>The Royal Borough has a Change Management Procedure for any applications/infrastructure that are hosted within the RBWM data centres with controls in place to ensure that any issues are mitigated.</p> <p>For any applications that are managed outside of IT Services but require RBWM IT resources to make changes to the servers, the Administrators are required to raise a Change Request which then comes through to the IT Services CAB (Change Advisory Board) for comment, approval, and assignment. Any changes outside of this are managed by the Administrators within their areas. IT Services staff also follow the same procedure.</p> <p>Any requests for change, development/changes for RBWM IT Services or new implementations are reviewed by the strategic team first and are then be passed to the appropriate team for implementation.</p> <p><b>Conclusion: Closed</b></p>
Compliance with LAAG 2014 (regulation 15)	<p>In relation to public inspection period for 2020/21 accounts, the Council did not fully comply with the Local Audit and Accountability Act 2014 (regulation 15) as it did not include its Annual Governance Statement (AGS) within the draft financial statements when uploading the document on its website. Furthermore, although not directly required by the Council, it did not consider other options in relation to local taxpayers</p>	<p><b>Management Response</b></p> <p>Annual Governance Statements for the financial years 2021/22 and 2022/23 formed part of draft statements those financial years and published alongside the draft statements.</p> <p>The statutory requirements for the publication of public inspection rights only refer to the need for publication on the Council's website.</p>

Control area		Current year update
	<p>accessibility of the notice to inspect the accounts by only publishing the notice on its website. We recommend that Council ensures the AGS is included within the draft financial statements when it is made available for public inspection on the website. Further, we recommend the Council consider whether it should use other avenues for making the local taxpayer aware that the draft statement of accounts are available for inspection other than on their website to improve accessibility.</p>	<p>The Council met its statutory obligation but will consider what further avenues are available to make the public aware of the publication of financial statements.</p> <p><b>Conclusion: Closed</b></p>