

Management Letter	Workstream
<b>Matter 1 - Quality of Draft Accounts and working Papers</b>	<b>Statement of Accounts Production</b>
<b>Matter 2 – property, plant and equipment disclosures contained numerous errors</b>	
	<b>Capital</b>
	<b>Capital</b>
	<b>Capital</b>
	<b>Capital</b>
	<b>Capital</b>

	<b>Capital</b>
	<b>Capital</b>
	<b>General Closing of Service Area Accounts</b>
	<b>Capital</b>
	<b>Capital</b>

<b>Matter arising 3 – bank reconciliations not completed</b>	<b>Treasury Management</b>
	<b>Treasury Management</b>
	<b>Closing of Schools Accounts</b>
	<b>Closing of Schools Accounts</b>

<p><b>Matter arising 4 – journal authorisation not undertaken</b></p>	<p><b>General Closing of Service Area Accounts</b></p>
<p><b>Matter arising 5 – procurement standing orders are out of date</b></p>	<p><b>ALREADY IN PLACE</b></p>
<p><b>Matter arising 6 – internal recharges included within the comprehensive income and expenditure statement</b></p>	<p><b>Internally Generated Income</b></p>
<p><b>Matter arising 7 – creditors year-end balances misstated</b></p>	<p><b>General Closing of Service Area Accounts</b></p>

<p><b>Matter arising 8 – purchase orders raised after invoices received</b></p>	<p><b>General Closing of Service Area Accounts</b></p>
<p><b>Matter arising 9 – IT</b></p>	
	<p><b>Information Services (ICT)</b></p>
	<p><b>Information Services (ICT)</b></p>
	<p><b>Information Services (ICT)</b></p>
<p><b>Matter arising 10 – cashflow statement not prepared in line with the Code</b></p>	<p><b>Statement of Accounts</b></p>
	<p><b>Treasury Management</b></p>

<b>Matter arising 11 – operating leases misstated</b>	<b>Statement of Accounts</b>
<b>Matter arising 12 – year-end stock takes not undertaken</b>	<b>Statement of Accounts</b>
<b>PENSION FUND</b>	
<b>Matter arising 1 – Pension Fund disclosures within the Council’s Annual Governance Statement require strengthening</b>	<b>Annual Governance Statement</b>
<b>Matter arising 2 – The Pension Fund should produce an Annual Business Plan and develop its own risk register</b>	<b>Pension Fund</b>

<b>Matter arising 3 – A detailed closedown checklist should be established for production of the Pension Fund Financial Statements</b>	<b>Pension Fund</b>
<b>Matter arising 4 – Management should consider enhanced disclosures for Additional Voluntary Contributions in accordance with recommended best practice</b>	<b>Pension Fund</b>

WAO Recommendation	Management Response
<p>We recommend that a stringent quality assurance process, which includes completion of the Code disclosure checklist, is implemented prior to the draft accounts being provided to audit.</p>	<p>The Code disclosure checklist will be incorporated within the Closure of Accounts Project plan. A more rigorous review of the primary statements, notes and working papers to be undertaken against a prescribed checklist.</p>
<p>We recommend:</p>	
<p>1. Processes are implemented to ensure that all assets completed in year are correctly transferred to operational asset categories. Further a review is undertaken of all assets within assets under construction to ensure that none of these assets are now operational.</p>	<p>A review will be undertaken of all Assets under Construction to ensure they are transferred to operational assets at the correct time.</p>
<p>2. Disposals are only entered onto the system once assets have been confirmed as disposed and any adjustments to correct potential errors are undertaken/reviewed by one member of staff.</p>	<p>A review of the disposal journal will be carried out and authorised by a separate officer before it is entered in the ledger.</p>
<p>3. Assets are only capitalised if they are in line with the Councils capitalisation policy or that the policy is amended to reflect that actual treatment undertaken by the Council.</p>	<p>Accept that the Accounting Policy will be amended to reflect what Cabinet agreed at the time the de minimus sum was introduced and agreed, which allowed for flexibility.</p>
<p>4. All accounting policies with regards to PPE are reviewed to ensure that these are up to date and reflect the treatment undertaken by the Council.</p>	<p>The Accounting Policies will be reviewed annually to ensure any changes are included.</p>
<p>5. That the treatment of historic cost impairments for all assets revalued in year is reviewed to ensure the correct treatment is applied to any previous impairments/downward revaluations.</p>	<p>An additional check will be added to the procedures to ensure all the historic impairments are correctly reversed.</p>



<p>6. Historic differences between the information maintained on the fixed asset system and the financial statements should be investigated in order to correct any discrepancies and bring the system and financial statements in line.</p>	<p>The differences between the ledger and system will be reviewed and cleared.</p>
<p>7. Assets reclassified from operational to assets held for sale should be treated in line with the Code and revalued immediately prior to reclassification.</p>	<p>The Assets held for sale will be revalued prior to transfer.</p>
<p>8. The Council should undertake an annual review of expenditure charged to revenue, as part of the accounts closedown process, to ensure that no capital expenditure has been incorrectly included in revenue.</p>	<p>Review of revenue expenditure to be done by Finance Business Partners to identify any capital expenditure that may be included incorrectly.</p>
<p>9. The calculation of depreciation for any asset that has had non- enhancing expenditure in year should be reviewed to ensure that the depreciation is calculated in line with the Councils depreciation policy and the useful economic life has been entered correctly.</p>	<p>The depreciation calculation will be reviewed for all assets</p>
<p>10. Assets should only be classified as operational from assets under construction once the asset is complete and in use. Further expenditure on the asset should then be reviewed to confirm if it does enhance/extend the life of the asset – if not the expenditure should be written off in year and the asset not re-lifed.</p>	<p>The way the expenditure is treated will be reviewed.</p>

<p>The council introduce regular (at least monthly) comprehensive bank reconciliations of the receipts account and ensure that all reconciling items are agreed to supporting evidence.</p>	<p>The Receipts Account will be reconciled monthly, any reconciling items will be fully supported by relevant evidence and reviewed and signed off by the Finance Operations Manager. The reconciling items identified in last year's accounts were supported by evidence with the exception of 1 item.</p>
<p>All un-reconciling items should be investigated to ascertain the reason for the difference with bank reconciliations being signed off as reviewed by a senior member of staff.</p>	<p>See Above</p>
<p>Primary school bank reconciliations should be undertaken at least annually and any difference between the ledger and year-end bank balance investigated.</p>	<p>Primary School Bank Reconciliations to be included in the project plan with follow up to ensure completion.</p>
<p>The difference between cash held on SIMS and EFiN should be investigated and corrected to ensure that both balances agree. Going forward detailed reconciliations should be undertaken with supporting evidence/explanations sought for any differences.</p>	<p>The high school bank Accounts and SIMS records will be fully reconciled for each High School. The historical differences between SIMS and EFiN have been reduced and the remaining balance will be written off. Action incorporated into the Closing of Accounts Project workstream.</p>

<p>We recommend that the Council reminds staff of the process with regards to journal authorisation.</p>	<p>There is a process in place that journals greater than £100k are authorised. The journals not authorised were reversing journals and there was a perception by some that these did not need to be signed as the original journal had been signed. Staff to be reminded of process within the department meeting and within the closing programme notes to all finance staff.</p>
<p>We recommend that the Council updates the procurement standing orders as soon as possible and in the future ensures that any standing orders are updated immediately after new regulations or guidance is issued.</p>	<p>The new Contract Procedure Rules went live on 1<sup>st</sup> September 2015</p>
<p>We recommend that the Council undertakes a review of internal recharge codes on the ledger and ensures that these are excluded from the financial statements at the year-end.</p>	<p>An additional column needed to be created in the Income and Expenditure Account. This was done during the audit process and will be used as the basis for future year's working papers. Internal Recharges are being reviewed in 2015-16</p>
<p>We recommend that the Council establishes processes which ensure expenditure is charged to the correct year and, if required, correctly recorded as creditor at the year-end.</p>	<p>Creditor lists are sent out for completion near year end. Creditor payment processing notes ask that payments processed after 1<sup>st</sup> April but relating to the previous year are referenced in a specific field so they can be identified and the charge can be recorded in the year to which the invoices relates. More emphasis to be made on following procedures within the closing notes.</p>

<p>We recommend that the Council ensure all staff are made aware of the requirements to raise and authorise purchase orders for any expenditure transactions.</p>	<p>The No purchase Order No Pay initiative was launched by Finance and Commercial Services in April 2015. All suppliers were informed by letter that they were not to accept a PCC order and not to supply the Council without a Purchase Order. The scheme is currently running around 70 - 80% compliant and is about to be refreshed. As part of the refresh the Council has organised a PO box for all invoices so that they are received into the Council at one point. Non-compliance is reported to Cabinet in the Monthly Budget Monitoring and Forecast Report.</p>
<p>1. Methods of access for suppliers are secure but access is not limited to a specific time period. This means that access could be left open for a period after the work has been completed and increases the risk of unauthorised changes to its systems and software.</p>	<p>1. The Council should consider implementing time limited access to the network for supplier/third parties. This will give improved control over network access, limiting risk to inappropriate use within the network (and potentially key financial systems).</p>
<p>2. Offsite Backup media is still stored too close to the main building. This situation provides an increased risk that backup data may not be available in the event of a major disaster and the Council may not be able to restore the ICT systems.</p>	<p>2. The Council should follow best practice by identifying a new location for storage of offsite backup media at a suitable distance away from the main building, based on risk assessment of the surrounding area.</p>
<p>3. There has been an improvement with regards to the creation of disaster recovery plans, but these will need to be finalised as soon as possible.</p>	<p>3. Disaster recovery plans are finalised as soon as possible.</p>
<p>1. Ensures that the disclosures within the cash-flow statement comply with the requirements of the Code.</p>	<p>Cash paid to suppliers of goods and services to be included in the cashflow. The Statement working group to discuss the best means of capturing that information.</p>
<p>2. Cash inflow is calculated based on the credits to the bank.</p>	<p>Credits to the bank to be used as recommended</p>

<p>We recommend that the Council locates and reviews the leases in all instances where they are the lessor and confirms that the information held within the supporting calculation spreadsheet is correct.</p>	<p>More comprehensive guidance notes to be provided i.e. where the information is held, who is responsible for it and a check that calculations are correct.</p>
<p>We recommend that the Council ensures all sites undertake year-end stock takes and stock balances on the ledger are updated to reflect the year-end stock position.</p>	<p>Individuals responsible for stock takes to be identified before year end, and any non-returned stock sheets will be identified and a system will be in place to ensure completion. Stock sheets to be held in central area to assist the audit process.</p>
<p>We recommend that Pension Fund disclosures within the Council's Annual Governance Statement are reviewed and strengthened, for example, the inclusion of key risks facing the pension fund, the effectiveness of its controls (result of any internal audit reviews), updates on its funded status/actuarial valuations, implementation of the Pensions Board from 1 April 2015, etc.</p>	<p>Incorporate recommendation into the Statement of Accounts Project plan.</p>
<p>We recommend that: <input type="checkbox"/> A Business Plan for 2016-17 is drafted during 2015-16 for presentation to the Pensions and Investments Committee. <input type="checkbox"/> Risk management is introduced to Pension Fund's system of internal control by establishing its own risk register and reviewing it hereof, or feeding into the Council's overall Risk Register.</p>	<p>A business plan for 2016-17 and a risk register to be produced.</p>

<p>In order to mitigate any risk of slippage in the timing or quality of financial statements in future years should key staff be absent, we recommend that a year end closedown checklist is established with approximate dates/deadlines for the production of the financial statements and associated working papers.</p>	<p>A checklist to be produced as part of the Statement of Accounts project plan for 2015-16.</p>
<p>We recommend for 2015-16 financial statements the inclusion of: <input type="checkbox"/> Accounting policy for AVCs; and <input type="checkbox"/> AVCs note disclosing the value of AVCs paid into relevant fund(s) in year, and also the year end market value of those fund(s).</p>	<p>AVC providers to be contacted to provide relevant information.</p>

<b>Action</b>
WAO workshop took place on 21st March 2016 confirming what they are looking for in terms of good practice. The CIPFA disclosure checklist will be used when reviewing notes. Notes working papers to be assigned to officers for self review.
1. A review will be undertaken of all Assets under Construction to ensure they are transferred to operational assets at the correct time.
2. A review of the disposal journal will be carried out and authorised by a separate officer before it is entered in the ledger.
Accounting Policy Amended
Accounting Policy Amended
5. An additional check will be added to the procedures to ensure all the historic impairments are correctly reversed.

6. The differences between the ledger and system will be reviewed and cleared.

7. The Assets held for sale will be revalued prior to transfer.

8. Review of revenue expenditure to be done by Finance Business Partners to identify any capital expenditure that may be included incorrectly.

9. The depreciation calculation will be reviewed for all assets

10. The way the expenditure is treated will be reviewed.



Monthly reconciliations are taking place. Format of the reconciliation headings has been reviewed.

See Above

Two primary schools remain with their own bank account. Dialogue has been undertaken with the schools to determine if they still require the accounts, Reconciliations to be done by 15th April 2016

**Secondary Schools** have been requested to provide Finance with the paper work to confirm that monthly Bank Reconciliations have been carried out. Schools are chased where this is not happening. Old Bank Accounts records on Sims not finalised by schools when accounts closed have been resolved for all but 1 school, this will be resolved before Accounts closure. Revised instructions have been issued to the Schools Finance Team as to what is required at the closing visit. Historic differences between Sims records and Ledger codes will be written off against school reserves.

There is a process in place that journals greater than £100k are authorised. The journals not authorised were reversing journals and there was a perception by some that these did not need to be signed as the original journal had been signed. Staff to be reminded of process within the department meeting and within the closing programme notes to all finance staff.

The new Contract Procedure Rules went live on 1<sup>st</sup> September 2015

An additional column needed to be created in the Income and Expenditure Account. This was done during the audit process and will be used as the basis for future year's working papers. Internal Recharges are being reviewed in 2015-16

Closing procedures have been sent out to finance team, efinancial and Eproc users on processes to follow regarding year end creditors.

This hasn't really changed. Time locks have been implemented however this was causing issues with some system interfaces. It was also thought that it was actually appropriate for some of our partners to have non time limited access.

The councils backup strategy now includes backup to Microsoft Azure

Disaster recovery plans are finalised as soon as possible.

A report from the creditor system will be used to provide a breakdown of payments to suppliers of goods and services.

Credits to be lifted from the bank statements.

Review of ledger undertaken to provide assurance all leases are being captured. Those holding information concerning on-going leases have been contacted to provide information by the first week of April, where we do not already retain the information.

Information concerning stock sheets included in the closing notes. Stock sheets to be returned to finance by 8th April. Email reminder sent to those in finance who input the journal that they need to chase those responsible for undertaking the stock take for the year end form.

Review of risk register to be considered before incorporating into draft AGS by 8th April 2016.

All constituent parts of a business plan are available within various pension fund documents. A business plan will be completed for the next Pension & Investment Committee. A risk register was presented to the Pensions and Investment Committee in 11/02/2016.

Meeting between finance and pensions admin so that both are aware of what is expected of the other. CIPFA disclosure checklist received. Key activities/dates noted into project plan.

AVC providers contacted. They can provide details of Fund values. Information to be chased mid April, after AVC providers have receipt of all contributions collected from Powys Pension Fund members.