

DEPARTMENT	AUDIT REVIEW	FINAL REPORT ISSUED
Chief Executive’s and Corporate Services	Capital Accounting, including Fixed Asset Register (2022/23 Review)	18th October 2023

BACKGROUND

The Authority has produced a Managing Capital Manual which details all procedures to be followed within the capital management process.

The Authority identifies and records all fixed assets with a value greater than an agreed de minimus level on a Fixed Asset Register. The asset register is a means of identifying, safeguarding, and controlling the Authority’s assets; it is also used to determine the Capital Financing recharge. Responsibility for procedures relating to the Asset Register and Capital Accounting system lies across two Departments; the Chief Executive’s Department and the Corporate Services Department.

SCOPE

To ensure the Fixed Asset Register (FAR) is accurate and that the management of capital schemes comply with relevant policy and procedures, a review was undertaken of the procedures relating to the FAR and the Capital Accountancy function to assess the extent to which:

- The issues identified in the previous Internal Audit report have been actioned;
- Adequate, documented policies and procedures are in place, and are complied with;
- Adequate management arrangements exist for the Capital Programme;
- The FAR is updated with all disposals and acquisitions, with effective and regular reconciliations of the register being undertaken;
- Asset verification exercises are carried out and evidenced;
- Adequate budget monitoring is carried out; and
- Adequate information and procedures exist for the implementation of IFRS 16 Leases.

SUMMARY OF RECOMMENDATIONS

The audit findings and recommendations are detailed in the attached Action Plan.

A summary of these recommendations by priority is outlined below:

Priority	3*	2*	1*	Total
Number of Recommendations	0	3	1	4

ASSURANCE RATING

The post review assurance level for systems relating to Capital Accounting is categorised as: **ACCEPTABLE.**

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Action Plan

Ref	Summary of Issue Identified	Recommendation	Priority Level	Planned Action Responsible Officer(s) Target Date	Updated Position
1	<p>Documented Procedures</p> <p>Documented procedures exist for the Capital Accounting function, including the FAR, however review of the documented procedures available identified that they are not consistent with current practice or up to date. In particular:</p> <ul style="list-style-type: none"> - The Managing Capital Document was last updated in 2014, - The Budget Manual was last updated in 2016, - The Acquisition and Disposal Policy was produced in 2018, - The Asset Manager Training Manual was produced in 2018. <p>There was no documented procedure available which clearly states the expectation of senior officers checking valuations as part of the internal quality assurance arrangements, as recommended in a report by Audit Wales.</p> <p>In addition, it was found that not all key functions required to be undertaken are documented, for example, the asset verification exercise and the asset spot check exercise.</p>	<p>All documented policies and procedures should be reviewed, updated where appropriate, and formally approved where relevant.</p> <p>A documented procedure should be formulated, which clearly states what is expected of senior officers who are checking asset valuations as part of the internal quality assurance arrangements, in line with the recommendations of Audit Wales.</p> <p>It would be beneficial for all key functions required to be undertaken to be documented, to ensure all staff are clearly aware of their responsibilities.</p>	**	<ol style="list-style-type: none"> 1. In relation to the Managing Capital document, we will bring this up to date and take through the formal approval process, this can be managed within the Capital team. With regard updating the Budget Manual, this process has commenced, and communication has already been undertaken between all accounting groups to bring this together. [Gareth Davies, Finance Manager Corporate August 2024] 2. Policies and procedures will be reviewed, updated & approved where appropriate. [Peter Edwards, Valuations Manager and Philip Thomas, Records Officer March 2024] 3. Documented procedure will be incorporated into Quality Assurance exercise for 23-24. [Emily Hughes, Senior Asset Management Surveyor March 2024] 	In progress – target dates not yet reached.

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				<p>4. Asset verification and asset spot check exercises will be fully documented for 23-24. [Philip Thomas, Records Officer March 2024]</p>	
2	<p>Verification of Assets</p> <p>The annual verification of assets exercise was last undertaken in December 2021, although Internal Audit has been advised that the current exercise is due to commence imminently.</p> <p>At the time of the Audit, Internal Audit was advised that the non-fixed asset spot checks had not been carried out since 2018/19 due to Covid-19 but were due to commence shortly.</p> <p>Testing of a sample of fifteen assets/non-fixed assets identified the following:</p> <ul style="list-style-type: none"> - Details held on the FAR are not always accurate or sufficient to uniquely identify the asset, responsible officer, or location. This resulted in difficulty tracing assets, and in one instance the asset selected could not be traced. - One instance where the asset was not recorded on the FAR, when it 	<p>The annual asset verification exercise should be completed in full, and all non-responses should be followed up to ensure the continued existence of all assets on the asset management system.</p> <p>The non-fixed asset spot check exercise should be completed on an annual basis, and a record maintained as evidence that it has been undertaken.</p> <p>The FAR should record all non-fixed assets above the de-minimus value of £10k accurately, and in sufficient detail to enable each asset to be uniquely identified and easily traced, to ensure the valuation of non-fixed assets included in the statement of accounts is accurate.</p>	**	<p>All non-responses will be followed up in relation to the asset verification exercise for 23-24.</p> <p>The non-fixed asset spot check exercise will now be completed on an annual basis from 23-24.</p> <p>FAR non fixed asset descriptions initially received from Finance. Process to be reviewed with Finance to provide further detail/clarification.</p> <p>Average time for recording disposals of fixed asset disposals on the FAR is less than 3 days from receiving notification from Legal. We will continue to monitor to ensure timely recording.</p> <p>[Philip Thomas, Records Officer March 2024]</p>	<p>In progress – target date not yet reached.</p>

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	<p>would have been appropriate to do so.</p> <ul style="list-style-type: none"> - One instance where the FAR had not been updated with details of the disposal. 				
3	<p>Valuations Testing of a sample of 10 property valuations identified the following:</p> <ul style="list-style-type: none"> - In one instance, the property valuation was not consistent between the valuation documentation, and the value recorded on Asset Manager. - Documentation to support the valuation exercise was not always adequate. - Explanations were not always available to support changes to the method of valuation, assumptions made or significant variations in valuations from the previous year. - Two instances were identified where the valuations had been input directly onto Asset Manager. - Quality assurance in respect of surplus and investment properties is retained electronically, in a spreadsheet format. There were eight spreadsheets available, in total; there was no evidence available on two of the spreadsheets to demonstrate that 	<p>Procedures in respect of property valuations should be improved to ensure information retained to support valuations is sufficient and consistent, evidence of site visits is maintained, explanations are documented, where appropriate, and calculations are consistent.</p> <p>Supporting documentation should be signed and dated as evidence of appropriate and timely completion.</p> <p>A reconciliation should be undertaken to ensure valuations have been accurately recorded on the asset management system.</p> <p>The exercise undertaken to identify large variances in valuations, between the current and previous valuation, should be formalised to ensure that adequate explanations are obtained for all significant variances identified.</p>	**	<ol style="list-style-type: none"> 1. Procedures in respect of property valuations have been reviewed and forthcoming valuations will provide relevant signed supporting evidence. [Emily Hughes, Senior Asset Management Surveyor March 2024] 2. Valuations Import spreadsheet will be reconciled with values on Asset Manager post import for 23-24. [Philip Thomas, Records Officer March 2024] 3. Quality Assurance exercise will continue to focus on variance for prioritisation purposes with notes added for 23-24 exercise on significant changes. [Emily Hughes, Senior Asset Management Surveyor March 2024] 	<p>In progress – target dates not yet reached.</p>

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	<p>the quality assurance exercise had been undertaken.</p> <ul style="list-style-type: none"> - Quality assurance in respect of operational properties is a paper exercise, with supporting documentation held in a file. Anomalies were identified in the valuation methodology document retained on this file. - Whilst valuation figures are compared to the previous valuation undertaken for each property, explanations were not always recorded in respect of significant variations identified. In addition, the comparison documentation is not signed or dated as evidence of prompt and appropriate review. 	<p>The quality assurance exercise undertaken, following the annual valuation exercise, should be formalised, in order to ensure all valuations completed are subject to quality assurance.</p> <p>The quality assurance undertaken should be consistent for all properties, clearly demonstrate they have been completed by an appropriate officer, in a timely manner, and be easily accessible to all relevant staff.</p>		<p>4. Quality assurance process is being formalised for valuation team for 23-24 exercise. [Philip Thomas, Records Officer March 2024]</p>	
4	<p>Budget Monitoring</p> <p>A review of the documentation maintained to support the budget monitoring process identified that budget monitoring reports are not always issued by the Finance Division to budget managers, by the specified timescales.</p> <p>In addition, it was identified that budget monitoring reports are not always returned by budget managers, by the deadline specified.</p>	<p>The Finance Division should issue the budget monitoring reports promptly, within the specified timeframes.</p> <p>Budget Managers should be reminded of the importance of returning the budget monitoring reports by the specified deadlines.</p>	*	<p>The budget monitoring timetable has been updated to reflect target dates 'by the end of the specific week' rather than specific days that could be mid-week etc. This will give more flexibility to meet the deadlines. Reminder emails will continue to be sent and conversations will take place to either chase budget monitoring returns prior to the deadlines or to remind managers of the importance of deadlines. Managers will also be reminded of the deadlines as part of Project Working Groups (with specific reference made to this internal audit review).</p>	Complete.

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				[Gareth Davies, Finance Manager Corporate and Adrian Armstrong, Senior Accountant – Capital September 2023]	