

Appendix 3 – Audit Findings Report Management Responses

(see pages 24-27 of Appendix 2 for Issues, Risks and Recommendations)

1. Officers need to ensure that the closedown and accounts production timetable includes sufficient time for robust quality assurance procedures

Management Response

Appropriate levels of review will be built into year-end process going forward to ensure mapping issues do not reoccur. In addition, the formal extension of the timetable by which the draft statement of accounts have to be published (moving from 31 May to 30 June), will offer the additional time required to complete the necessary checks.

2. The Council should review the access of its employees and rectify the issue where necessary

Management Response

Given the small size of the Finance teams, there will be some members of staff who will have admin rights and also be expected to undertake operational roles. To minimise risk, many processes require sign off from a separate individual from the requester / originator. However, access rights will be reviewed on a regular basis to ensure that they remain appropriate.

3. Officers need to ensure that the full cash balance, and any investment balances, are reviewed regularly to ensure that records are accurate. Formal bank reconciliations should be completed on a monthly basis as a minimum, and these reconciliations should be documented and retained. Suspense accounts should, where possible, be cleared at each month-end.

Management Response

The CIA system has an automated bank reconciliation module that clears and reconciles between the bank statements and ledger on a daily basis. This has been checked periodically to identify any miscoding, and recently a daily report has been set up to show where the manual postings within bank rec have been coded. As part of preparing 'Note 21 – Cash & Cash Equivalents' a full reconciliation is done to identify any corrections needed between the statement balances and the ledger balances, and provide the rationale for any remaining differences.

It is expected that the full benefits of the new system would have been realised for the 2022/23 Statement of Accounts, due to the migration to the new Financial Management System taking place mid-year in 2021/22.

However, as this audit did not take place, we expect the benefits to show effect when the next audit is completed.

4. Officers should improve their understanding of the reporting functionality available to them from the new general ledger in order to obtain appropriate information first time. This will allow the preparation of more accurate financial statements, and will allow future years' audit teams to undertake their work more efficiently.

Management Response

Given that this was the first year that the new system was used for closedown, there was the increased risk and likelihood that some processes would take longer than expected, particularly if requests were different from those to achieve the same information in prior audits. As reported to Committee previously, delays in providing relevant information were not helped by delays in the auditors replying to returns provided to them via their audit management portal, Inflo, in a timely manner. The new system was originally set up to produce reports in formats that had previously been deemed sufficient and appropriate by previous audit teams from Grant Thornton for prior years.

Since its implementation in November 2021, the team have significantly improved their understanding of the system, and the Council continues to invest in continuously improving the reporting tools and reports within the system, making use of key contacts and established relationships with staff at Technology 1, and retained in-house knowledge.

5. Officer should improve their understanding of the functionality of the fixed asset module, and ensure that it is following the requirements of the CIPFA Code and relevant accounting standards.

They should also ensure that appropriate levels of information and system reports are retained at each year-end to support the balances and transactions in the financial statements, and to demonstrate that proper accounting principles are being followed.

Management Response

Warwick District Council was the first council in the UK to go live with this asset module, and remains the only UK council to be live with a HRA. We have been working closely with Technology One (T1) to make the system more compatible to the CIPFA requirements in the UK, and improve the reporting capabilities of the asset module. There have been issues arising from the initial implementation of the system, without adequate resources being available from T1 or the Council to fully set up and test the system before it went Live, which has resulted in more work to verify transactions to date.

6. We recommend that management maintain AUC records on an asset-by-asset basis where individual assets are identifiable, as opposed to by project as is currently the case. This will also assist management with actioning the recommendation below.

Management Response

The T1 system does not record AUC at an asset level, only at a project code level, so manual records would have to be maintained to meet the GT recommendation and there is currently no capacity to do this, particularly for HRA schemes.

7. The Council should complete a formal impairment review with sufficient regularity to ensure that AUC are not held in the Balance Sheet at a materially incorrect value.

Management Response

Warwick District Council will consider this recommendation and assess an appropriate level of frequency for review.

8. The Council should look to improve its year-end processes and controls so that items of income and expenditure, both revenue and capital, are included within the correct financial statements.

Management Response

The Council will continue to review and improve its processes based upon lessons learned. As this was the first year end closedown in the new system, there was the increased risk that some controls may not be as robust as required. Many of the issues highlighted in the first closedown have now been addressed, and the Council will continue to invest in refining processes to deliver greater accuracy, efficiency and assurance.

9. The Council should review this policy sufficiently regularly to ensure that there is no risk that material amounts and balances are omitted from the financial statements.

Management Response

The Council does review its de minimis threshold limits for income and expenditure on an annual basis, ahead of the Year end guidance being published and training sessions held in February-March of each year. Given the levels of inflation seen since this policy was introduced, we are seeing an increasing number of transactions above this threshold, and therefore it is less likely that material amounts and balances are omitted. We also

work closely with service areas to ensure that invoices and purchase orders are raised in a timely manner to reduce the requirement of the policy.

10. The Council needs to put in place arrangements to ensure that all assets are revalued sufficiently regularly to comply with its accounting policy and the requirements of the Code.

Management Response

For 2022/23 the Council commissioned a full valuation of General Fund assets, in addition to the annual ones for the HRA and Investment Properties, that included visiting key and sample properties. This was part of establishing a revised 'tranche' and sample basis for General Fund properties for the subsequent 4 years. However, given that audit assurance on property, plant and equipment (PPE) hasn't been possible in recent years, the Council's external valuers are undertaking another full valuation at 31 March 2025, to give assurance for the 2024/25 Accounts.

11. The Council should put in place arrangements to ensure that, where assets are required to be held at fair value, those assets are revalued at each balance sheet date.

Management Response

Surplus Assets are now being valued annually as part of the Investment Property valuations undertaken by the Council's external valuers.

12. The Council should ensure that both Members and Officers are aware of the importance of making declarations, irrespective of whether they anticipate the Council having transactions with those organisations.

Additional controls should be established to ensure that obvious omissions are identified by the Council.

Management Response

Members and Officers are reminded annually on the importance of making declarations, and this will be reinforced ahead of year end at both briefing sessions and through Full Council.

Warwick District Council will look at implementing further checks on the returns to ensure that all obvious interests are declared.

13. Officers should review the reporting available in relation to Council Tax and Business Rates reliefs and discounts, and determine how best to obtain this information going forward.

Management Response

Management to review the process and establish how this information can be obtained going forward.

14. Management should formally review their approach to calculating this provision, to ensure that it is being calculated using the best available information for potential appeals from businesses within Warwick District.

Management Response

The approach has already been amended to make better use of the data provided by Analyse Local to ensure the provision is of more relevance to Warwick District Council.

15. Management should review the reporting functionality of the new general ledger to identify a way to report on, and therefore appropriately monitor and manage its creditor and debtor balances.

Management Response

Officers now have a greater understanding of the finance system and the reporting functionality within it. Reports will also be run at set points during the closedown process to ensure that appropriate snapshots of the final position, including creditor and debtor balances at a given day, in particular 31 March, can be captured.