



The Audit Findings for West Berkshire Council - Updated




Year ended 31 March 2020

8 April 2021






Action plan

We have identified 11 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.






Assessment	Issue and risk	Recommendations
 High	<p>Review of the Fixed Asset Register (FAR) and agreement to the statement of accounts identified that one asset valued at £2.4m had been incorrectly classified as an investment property and £6.1m of Investment property land had been double counted. This has resulted in a material adjustment to the primary statements</p>	<p>The Council should review all supporting documentation for Property, Plant and Equipment to ensure that balances are appropriately and accurately disclosed in the statement of accounts</p> <p>Management response</p> <p>The 2019/20 Statement of Accounts has been adjusted for the £2.4m reclassification and £6.1m duplication. The Council understands the importance of completeness and accuracy within all Fixed Asset categories, and will undertake a detailed exercise to ensure that the Fixed Asset Register and supporting accounting records are fully reviewed</p>
 Medium	<p>Detailed transaction testing identified a case where supporting document could not be provided and therefore we are unable to confirm that the value has been correctly included. There is a risk that items will be incorrectly disclosed in the accounts leading to a potential overstatement. An unadjusted misstatement has been identified</p>	<p>The Council should ensure that all supporting documentation is retained and can be accessed when requested in order to provide evidence for figures disclosed within the statement of accounts..</p> <p>Management response</p> <p>Noted. The impact of Covid-19 created some challenge in providing certain third party documentation, this due primarily to the inability of Finance staff to access the Council's main office</p>
 Medium	<p>Substantive testing of transactions identified that the Council has an issue with providing a full breakdown of transactions and in reconciling populations to the balances disclosed in the statement of accounts. This has required management to run individual reports on an ad-hoc basis to provide the listing to Audit and has resulted in a number of errors being noted. There is a risk that the balances disclosed in the statement of accounts are either misstated or cannot be supported which could lead to a material adjustment within the primary statements</p>	<p>The Council should ensure that balances disclosed in the statement of accounts are fully supported by an auditable transaction listing or other supporting documentation</p> <p>Management response</p> <p>The Council appreciates the importance of a fully-mapped and reconciled accounting system and work is underway with external consultants to enhance the reporting framework allied to the production of the Statement of Accounts</p>

Controls




-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

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Assessment	Issue and risk	Recommendations
 Medium	A review of the draft statement of accounts identified a number of disclosures that were not included and disclosures that were not compliant with the requirements of the code including fair value hierarchy.	<p>The Council should review the Code and any changes to disclosure requirements as a result of changes in accounting standards to ensure that the draft statement of accounts are compliant before the commencement of the audit</p> <p>Management response</p> <p>The CIPFA Code will be reviewed in advance of the production of the 2020/21 Statement of Accounts to ensure that all disclosure content</p>
 Medium	Testing of PPE disposals identified that there were a number of disposals hat related to REFCUS which had been previously incorrectly classified. The disposal was to correct this classification	<p>The Council should ensure that all assets are correctly classified and that where errors are identified the appropriate accounting actions are undertaken</p> <p>Management response</p> <p>Noted</p>
 Medium	The Code requires that the Council disclose an Expenditure Funding Analysis within the statement of accounts to show a reconciliation between the figures in the statement of accounts and the outturn figures reported to members. Review of these identified that the figures did not reconcile	<p>The Council should ensure the consistency of reporting between the statement of accounts and the figures reported to members</p> <p>Management response</p> <p>For 2020/21, a working paper will be provided that bridges the year-end financial information reported to members and the associated Statement of Accounts content</p>
 Medium	REFCUS allows the Council to fund certain revenue expenditure through capital on the basis of meeting a number of criteria. Testing is required to ensure that this has been properly and accurately applied. Testing undertaken identified £600k of expenditure for which the Council could not provide a transaction listing and therefore could not be tested.	<p>The Council should ensure that all balances within the statement of accounts are fully supported and reconciled through a transaction listing within the general ledger.</p> <p>Management response</p> <p>Noted</p>
 Medium	The Audit approach requires the identification and testing of debit balances in income. Testing of these items identified that they were expenditure items and therefore incorrectly classified. There is a net nil impact on the statement of accounts	<p>The Council should ensure that all transactions are appropriately classified within the General Ledger and subsequently the statement of accounts</p> <p>Management response</p> <p>Agreed. Review work will be undertaken to ensure that the applicable debit and credit balances have been accounted for appropriately</p>

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Assessment	Issue and risk	Recommendations
 Low	A review of the bank reconciliation identified approximately £45k in unpresented cheques from 2018 that remained in the workings.	The Council should ensure historical items are appropriately included and that no further action can or should be taken Management response Finance is in the process of enhancing the review procedures attached to the bank reconciliation. Management appreciate the importance of ensuring that historic transactions are not included as unpresented items within the bank reconciliation
 Low	The overall balance of Grants received in advance is correct and has been agreed to supporting documentation. Testing identified that the analysis of this balance was incorrect and that it should not just be disclosed as a LEP balance	The Council should ensure that where analysis over a number of headings is required for a balance that this is done appropriately and accurately Management response The accounting implications of this observation have now been reflected within the 2019/20 Statement of Accounts
 Low	One item selected for testing with a value of £4.2m was made up of numerous transactions for which the Council are unable to provide third party evidence to support their award.	The Council should ensure supporting evidence is retained for all balances within the statement of accounts to provide assurance as part of the audit process. Management response Noted

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