

Northampton Borough Council Internal Audit Report 2007-08 Fixed Assets Review

Report No. 07_08 NBC 15 – Final Report

Assurance rating this review	No assurance
Assurance rating previous review	No assurance

Distribution List

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Timetable

Action	Planned date	Actual date
Agreement of terms of reference	22 November 2007	22 November 2007
Fieldwork start	3 December 2007	3 December 2007
Fieldwork complete	21 December 2007	27 March 2008 (primarily due to staff availability in both parties)
Draft report to client	10 April 2008	24 April 2008
Response by client	15 May 2008	15 August 2008 (formal response provided by management)
Final report	22 August 2008	2 September 2008

Background and scope

Introduction

This review was undertaken as part of the 2007/08 Internal Audit Plan agreed by the Audit Committee.

This report has been prepared solely for Northampton Borough Council in accordance with the terms and conditions set out in our contract dated 1st January 2007. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Background

This report is intended to inform management of the results of our review of Fixed Assets. This review has been undertaken as part of the Core Financial Systems audit work included within the 2007/08 Internal Audit Plan. This report reflects our findings over the controls and processes in place as at the time of our internal audit fieldwork which took place between December 2007 and March 2008.

Approach and scope

Approach

Our work is designed to comply with Government Internal Audit Standards [GIAS] and the CIPFA Code.

Scope

In accordance with our Terms of Reference (Appendix 1), agreed with the Head of Finance, Assistant Head of Finance and Asset Management Team Leader, we undertook a limited scope audit of the Fixed Asset Function.

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference.

Staff involved in this review

We would like to thank all client staff involved in this review for their co-operation and assistance.





Name of client staff
Rebecca Smith – Assistant Head of Finance
Beverley Dixon – Finance Manager (Capital)
David Fletcher- Estates and Asset Management Team Leader
Tony Skinner – System Controller

Our opinion and assurance statement

Introduction

This report summarises the findings of our review of the Fixed Asset Function.

Each of the issues identified has been categorised according to risk as follows:

Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the Authority's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall Authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; and/or has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Summary of Findings

Our detailed findings and recommendations are set out in the findings and recommendations section of this report. The table below summarises the number of findings raised and the priority rating assigned.

Risk Rating	Number of findings
Critical	1
High	1
Medium	7
Low	3
Total	12

Opinion

We are required to provide an opinion on the adequacy and effectiveness of internal control in relation to the area under review. Our opinion is based on the work performed as set out in the agreed terms of reference and is subject to the inherent limitations set out in the limitations and responsibilities section of this report. We also provide an assurance statement for the area under review.

Design of the controls under review

We identified ten weaknesses in the design of controls in relation to Fixed Assets, one of which has been assessed as high risk. In our opinion this control weakness is likely to have a significant impact on the achievement of the key objectives of the Fixed Assets Function.

Operation of the controls under review

We identified two instances where the controls were not operating as designed in practice at the time of our audit. One of these control weaknesses has been assessed as critical. Based upon the work performed, in our opinion this weakness could have a significant impact on the achievement of the following organisation objectives:

- safeguarding assets; and
- the preparation of reliable financial and operational information.

These weaknesses should be considered a 'Significant Control Issue' for the purpose of your Annual Governance Statement.

Value for Money

During our review we did not identify any specific value for money issues.

Assurance statement

No assurance

There are weaknesses in the design and/or operation of controls which in aggregate could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.

These weaknesses relate to complications primarily arising from an inadequate level of staffing for much of the year leading to tasks which we consider to be fundamental not being carried out. In a number of cases the design of the overall control system did not provide for carrying out these tasks anyway. The result of this situation is that risks around recording of additions, disposals and also verification of fixed assets are increased and these could impact upon the Statement of Accounts.

In arriving at this level of assurance we also took into account progress made in implementing prior years' recommendations. Of the 12 recommendations made, 10 had not been fully actioned. Overall this represents a significant failing.

Follow-up

The table below summarises the recommendations made during our 2006/07 review of Fixed Assets and their current status.

Risk Rating	Number of findings	Implemented or no longer relevant	Outstanding or partially implemented
Critical	0	N/a	N/a
High	2	0	2
Medium	7	1	6
Low	3	1	2
Total	12	2	10

Where issues have been identified as outstanding these have been raised once again in the main body of the report and a revised management response requested.

A follow-up review of all the agreed actions should be undertaken as part of the 2008/09 internal audit plan.

Detailed findings and recommendations

Our detailed findings and recommendations are set out in the findings and recommendations section of this report. Management responses are included which identify actions to be taken, responsibility and timeframe.

Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the review of the Fixed Asset Function, subject to the following limitations.

Internal control

Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

The assessment of controls relating to the Fixed Asset Function is that historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.


Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.


Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Findings and recommendations



Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Control Design						
1	Errors and omissions may occur given that procedures are out of date and roles and responsibilities are not clearly assigned.	There is a lack of up-to-date, formal written procedures covering Capital Accounting. In addition, Accountancy staff are expected to send out a closedown procedure document soon with responsible officers and deadlines. At present it is not clear who is going to be responsible for what and this needs to be decided, documented and dispersed as a matter of urgency.	 Medium	Whilst monthly processes are now very limited so may not require comprehensive guidance notes, there ought to be clear documentation such as procedure notes to cover all year end procedures and a 'roles and responsibilities' document to cover who is formally responsible for what. This is particularly urgent given; <ul style="list-style-type: none"> • staff changes over the past year or so; • that capital charges are only done at year end; • reconciling the fixed asset register and GL is only done at year end; and • the new requirements of the revised SORP and the AIRS system upgrade, which all lead to revised procedure notes being required.	Agreed	Finance Manager (Capital and Treasury) Team Leader Estates & Asset Management 31 October 2008


Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
2	Unreconciling items are not highlighted and resolved on a timely basis.	Though no reconciliations could have taken place during 2007/08 due to AIRS not being populated, it was only ever intended that a year-end reconciliation would take place between AIRS and Agresso rather than monthly or quarterly reconciliations. Going forward reconciliations should be undertaken on at least a quarterly basis.	● Medium	More regular reconciliation of the two systems should take place to allow for timely investigation and resolution of any reconciling items. These would ideally be on a quarterly basis.	Remedial action agreed Reconciliation to be undertaken quarterly Responsibility for action Team Leader Estates & Asset Management	Accountant (Systems) 31 July 2008
3	Donated assets are not accounted for appropriately.	It has not been possible to identify any formal procedures in place at the Authority for the recording and the required accounting treatment for any donated assets.	● Low	Donated assets ought to be recorded in the asset register at replacement cost and SORP changes along with future IFRS adoption will make this matter more important.	Processes to be developed to allow donated assets to be treated in accordance with the SORP	Finance Manager (Capital and Treasury) Team Leader Estates & Asset Management 30 March 2009

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
4	Incomplete policies may result in confusion over asset classification.	<p>It was confirmed with the Finance Manager (Capital) that assets below the £6k de minimus level that have been funded by ring fenced capital funding would be included on a register. The Statement of Accounts were reviewed to ensure compliance was stated, but in the accounting policies within the Financial Statements it states that;</p> <p><i>"All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. The Council has a general de-minimus limit of £6,000 for capital expenditure purposes, which results in the capitalisation of expenditure, above that limit, as an asset in the balance sheet."</i></p> <p>Technically this is incomplete and ought to include that 'Where an asset has been acquired for less than £6k but has been funded by ring fenced capital funding it may result in the capitalisation of expenditure as an asset in the balance sheet'.</p>	<p style="text-align: center;">● Low</p>	The accounting policies section of the Statement of Accounts ought to be amended to include that 'Where an asset has been acquired for less than £6k but has been funded by ring fenced capital funding it may result in the capitalisation of expenditure as an asset in the balance sheet'.	<p>Agreed</p> <p>This has already been raised with the relevant officer for inclusion in the accounts, the draft of which will be approved by 30/06/08.</p>	<p>Assistant Head of Finance</p> <p>30 June 2008</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
5	Inadequate information is being provided to Cabinet on Capital Programme	<p>Whilst it was expected that due to the lack of sufficient Capital Accounting staff during the first few months of the year, monitoring and reporting of development against the capital programme and capital charges would be limited, the following issues have been noted:</p> <ul style="list-style-type: none"> • There was a lack of information provided to budget managers for the first half of year regarding capital charges and there was no independent review of the classifications being made between capital and revenue expenditure. This lack of review may have led to additions or disposals of vehicles, plant or other equipment being missed. • Depreciation is not charged until the year-end and no information on capital charges appears to have been reported to Budget holders as an associated revenue cost. • There has been a notable lack of regular reporting to Cabinet regarding the Capital Programme for the year-to-date. The first report went in October with actual spend only being reported in December. Genuine forecasts are yet to be provided making monitoring of slippage extremely difficult. 	 Medium	Reports are provided to Cabinet every month detailing progress against the Capital Programme including actual expenditure, forecasts and associated capital charges.	<p>Full capital monitoring has been taking place since the autumn, and slippage and year end spend forecasts are also now included both in the Cabinet report and in the information given to project managers at their monthly meetings.</p> <p>Capital/revenue expenditure is currently under review.</p> <p>The issue re capital charges is agreed and will be addressed for 2008/09.</p>	<p>Finance Manager (Capital and Treasury)</p> <p>31 July 2008</p>

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
6	Assets may not be adequately safeguarded.	It was noted during discussions that there is no known corporate policy in relation to asset security. Whilst security of land and buildings are the responsibility of the individual officers assigned responsibility for the asset (eg Service Managers or Estate Manager) security over vehicles and plant appears to be less rigorous.	● Medium	The Authority should ensure that a corporate-wide asset security document is compiled and made available to all relevant staff.	Asset security policy, including non property assets to be prepared and approved.	Team Leader Estates & Asset Management 31 May 2008
7	Fixed assets are wrongly stated within accounts.	It was noted that there was no formal procedures or process in place for asset verification during the year.	● High	The Authority should ensure that an assets verification exercise is undertaken and all staff complete required documentation. Appropriate action should also be taken to chase any outstanding information.	a) Capital appraisal process to be amended to include number & type of assets b) Proforma to be issued.	a) Finance Manager (Capital and Treasury) b) Team Leader Estates & Asset Management 31 March 2008
8	Amendments to the fixed asset register are not being checked on a timely basis.	Although exception reports detailing amendments made to standing data on the fixed asset register system (AIRS) can be produced, it was noted that only one such report is run at year end.	● Medium	The Authority should ensure that exception reporting functionality of the AIRS system is explored and relevant reports are regularly run that show amendments to standing data which should be reviewed for accuracy and reasonableness.	Exception reports to be run quarterly from 2008/09. Deadline reflects end of first quarter being 30 June.	Accountant (Systems) 31 July 2008

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
9	Unauthorised access could be gained if passwords are not changed and become known to other users.	It was noted that the AIRS system does not enforce regular password changes and instead emails are occasionally sent out asking staff to amend existing passwords.	 Medium	The Authority should seek this facility immediately from the software supplier and use it to enforce regular password changes for access to AIRS.	Systems have been in touch with AIRS and are currently awaiting a response. In the interim reminders will be sent to prompt password change.	Accountant (Systems) 30 June 2008
10	Assets are being held that are not required or being effectively utilised.	<p>It was noted that nothing appears to be done at a corporate level to consider the utilisation of assets against the charge they generate to ensure they are used in an effective manner.</p> <p>Although it is considered to be the responsibility of individual budget holders to assess whether holding the asset is in their interests or not, whilst land and buildings may be identified as impaired/surplus to requirement during Property Review Group meetings this is not sufficient monitoring of utilisation and does not cover Plant, Vehicles and Equipment.</p>	 Low	The Authority should ensure that all assets are reviewed to assess their associated charges against value in use to ensure they are utilised appropriately.	Finance Manager Capital and Treasury to instigate and manage review process.	Finance Manager (Capital and Treasury) 30 November 2008

Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Control Effectiveness						
11	Users do not have appropriate level of access in order to perform their roles.	<p>Whilst overall it is clear that access to AIRS is generally being updated to reflect changes in circumstance, the following issues were noted:</p> <ul style="list-style-type: none"> • The Corporate Asset Manager does not have access to the AIRS system upon which asset information is recorded. • One individual had Level 2 access rights which he did not require to perform his role. This has now been revised downward to Level 4 access but this ought to have been done months ago when roles changed. 	 Low	Access rights to the AIRS system should be reviewed frequently and updated on a timely basis to reflect user needs. This will be particularly relevant when all Capital Accounting roles have been finalised.	Agreed - Review to take place quarterly.	Accountant (Systems) 31 July 2008



Ref	Specific Risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
12	Fixed assets may be misstated.	<p>No information on fixed assets has been passed to the main accounting system (Agresso) during the year because no information has been input during 2007/08 into the feeder Asset Register (AIRS) due to the AIRS system upgrade.</p> <p>As a result we could not perform testing on disposals so we cannot confirm that assets are being removed from the system and capital charges are no longer being charged on disposed of assets.</p> <p>Because depreciation charges are not uploaded to the AIRS system or the General Ledger until year-end it has not been possible to test a sample of depreciation charges in-year. This may lead to an untimely resolution of any discrepancies at the year-end and does not allow for budget holders to monitor the charges associated with holding assets easily.</p> <p>No testing of Vehicle, Plant and Equipment additions can be performed because these have not been identified or uploaded on to AIRS yet.</p> <p>Wider concerns have been raised over the identification process for non-building assets such as Vehicles, Plant and Equipment for which there does not appear to be a sufficiently robust, uniform process to ensure that such assets are not omitted by Estates or Finance.</p> <p>Furthermore, information on land and building asset additions and revaluations was not available at the time of audit fieldwork. Valuations are not complete for the year and the Estates Valuer was on leave at the time to discuss progress.</p>	<p>● ●</p> <p>Critical</p>	<p>Sufficient resource is made available to allow the 2006/07 financial year to be closed and brought forward on AIRS immediately and to allow the valuations and other amendments that have taken place against the fixed asset base to be input into the Fixed Asset Register which can then be reconciled to general ledger.</p> <p>In addition, a robust process must be agreed upon, documented and enforced to ensure that all assets outside the scope of Land and Buildings are identified as having been acquired, disposed of or has seen a change in use. Such information should be obtained on a timely basis and the asset register updated accordingly.</p>	<p>Agreed.</p> <p>2006/07 has been closed and brought forward on AIRS, and valuations and other amendments are currently going in.</p> <p>Processes for non Land and Buildings assets currently being developed.</p>	<p>Assistant Head of Finance</p> <p>Finance Manager (Capital and Treasury)</p> <p>Team Leader Estates & Asset Management</p> <p>Accountant (Systems)</p> <p>31 July 2008</p>


Follow up of prior year's recommendations

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
1	<p>A key member of staff, the Asset Information Officer, is away from work due to ill health. This has resulted in a number of weaknesses being highlighted:</p> <p>It was not possible to ascertain what if any work has been performed on fixed asset verifications.</p> <p>There is a lack of information regarding additions of land and buildings and additions and disposals of Plant, Machinery and Equipment as the Fixed Asset Register is updated at year end and only the Asset Information Officer is aware of the values of these.</p> <p>No reconciliation has been undertaken between the general ledger and the fixed asset register.</p>	<p>● High</p>	<p>Urgent action is required to ensure that the fixed asset register accurately reflects the Authority's assets.</p> <p>Measures should be put in place to ensure that in future more than 1 person is able to undertake this task and procedures written to facilitate this.</p>	<p>Agreed.</p> <p>Action taken to ensure accuracy of fixed asset register.</p> <p>Agreed. Additional personnel in Asset Management to be trained in this task and updated procedures recorded.</p> <p>Team Leader Estates & Asset Management by 30/09/07</p>	<p>Outstanding:</p> <p>Although additional staff are being recruited, the lack of sufficient staff to date has led to control weaknesses throughout the year such as;</p> <ul style="list-style-type: none"> - the valuer has still not been advised which assets need to be valued - no asset verification - the Fixed Asset Register has not been updated for additions, disposals or revaluations and the general ledger remains incomplete and inaccurate. <p>See issues 12 and 2 in findings and recommendations.</p>	<p>Remedial action agreed</p> <p>Agreed</p> <p>Valuation letter was issued to the valuer identifying the assets that needed to be valued in late Autumn 2007.</p> <p>Asset verification to be undertaken on a random sampling basis.</p> <p>The asset register was not able to be updated due to systems changes, which have now been completed and the update can now begin.</p> <p>Reconciliation to be undertaken quarterly.</p> <p>Responsibility for action</p> <p>Team Leader Estates & Asset Management</p> <p>Deadline for action</p> <p>31/03/08 and 31/07/08 (for quarterly reconciliations)</p>

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
2	The document 'Capital Accounting and AIRS Roles and Responsibilities' has not been updated since restructuring. There have been changes that have made this document less relevant.	● Low	The 'Capital Accounting and AIRS Roles and Responsibilities' should be updated to reflect the current structure and responsibilities.	Agreed Asset Manager, in consultation with Finance Staff. 31st October 2007.	Outstanding: Discussions are still being held to finalise roles and responsibility splits between Estates and Finance in relation to capital accounting. Given that there are only 3 months to year-end and given that there is an overwhelming focus on Land and Building assets at the expense of Vehicles, Plant and Equipment there is danger that necessary tasks will be omitted or performed late in closedown leaving little time for resolution of any issues identified. See issue 1 in findings and recommendations	Remedial action agreed Roles and responsibilities to be re-drawn, including non property assets. Responsibility for action Team Leader Estates & Asset Management Deadline for action 30/06/08
3	It was noted that the spreadsheet used to record all leases is not being updated until year end rather than when the leases are being entered into. However, during 2006/07 only 1 new lease appears to have been entered into.	● Low	The spreadsheet that is used to record leases should be updated upon acquisition of the lease as opposed to waiting till year end.	Agreed. Spreadsheet will be reviewed and brought up to date then maintained from that point onwards. Assistant Head of Finance Financial Management and Planning 31st October 2007.	Implemented: There have been no new leases to add to the spreadsheet during 2007/08 so the spreadsheet has been confirmed to be up to date.	n/a

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
4	<p>It was noted that the fixed asset register had not been updated for 1 of the 3 disposals that had taken place prior to 1/3/07.</p> <p>For 1 of the 3 fixed asset disposals that had occurred as at 1/3/07, the Fixed Asset Register had not been updated to reflect this even though it is the Authority's procedure to update the FA register as and when assets are disposed of.</p>	<p style="color: red; font-size: 24px;">●</p> <p>High</p>	<p>The asset (property file reference FS/62/01, Dallington Cemetery Lodge) should be removed from the fixed asset register.</p> <p>Any other disposals of fixed assets that have or are due to take place prior to year end should be removed from the fixed asset register to ensure that the information held is accurate and up to date.</p>	<p>Agreed.</p> <p>This asset has now been removed from the register and future disposals will be removed prior to year end.</p> <p>Asset Manager 31st July 2007</p>	<p>Outstanding:</p> <p>Although Asset FS/62/01 has been removed, no in-year disposals have been removed from the Fixed Asset Register (AIRS) which has not been updated at all in-year due to unfilled posts and uncertainty surrounding a system upgrade.</p> <p style="color: blue;">See issue 12 in findings and recommendations</p>	<p>Remedial action agreed</p> <p>The asset register was not able to be updated due to systems changes, which have now been completed and the update for disposals can now begin.</p> <p>Responsibility for action</p> <p>Team Leader Estates & Asset Management</p> <p>Deadline for action</p> <p>31/03/08</p>
5	<p>It was noted during discussions that there is no known corporate policy in relation to asset security.</p> <p>Whilst security of land and buildings are the responsibility of the individual officers assigned responsibility for the asset (eg Service Managers or Estate Manager) security over vehicles and plant appears to be less rigorous.</p>	<p style="color: orange; font-size: 24px;">●</p> <p>Medium</p>	<p>The Authority should ensure that a corporate-wide asset security document is compiled and made available to all relevant staff.</p>	<p>Suggest Auditor meets with Asset Manager to clarify scope of action required. Unclear where responsibility should sit within existing structure & better understanding of recommendation will inform choice of correct responsibility holder.</p>	<p>Outstanding:</p> <p>Appears to remain outstanding from discussions held. Richard Vialard (PwC) has discussed this issue with David Fletcher so that there is a greater understanding of what is required although a corporate response will be required.</p> <p style="color: blue;">Re-raised as issue 6 above</p>	<p>Remedial action agreed</p> <p>Asset security policy, including non property assets to be prepared and approved.</p> <p>Responsibility for action</p> <p>Team Leader Estates & Asset Management</p> <p>Deadline for action</p> <p>31/05/08</p>

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
6	<p>We were informed that the Asset Information Officer sends out a bi annual proforma to 'asset owners' asking them to inform him of any additions, disposals or surplus assets. In addition the Capital Accountant would normally perform a similar task on a monthly basis where he/she would inform asset managers of assets under their control and the respective charges associated with these and requests that they confirm accuracy of this information by returning confirmation slips.</p> <p>However testing of these controls identified that they are not operating effectively as all staff are not completing returns.</p>	 Medium	The Authority should ensure that all staff complete required documentation as part of the asset verification process and appropriate action is taken to chase any outstanding information.	<p>Agreed Proforma to be issued.</p> <p>Asset Manager 30 September 2007.</p> <p>Capital appraisal process to be amended to include number & type of assets Assistant Head of Finance (Financial Mgt & Planning) 30th September 2007.</p>	<p>Outstanding:</p> <p>The previous control does not appear to have been operating during 2007/08 and no replacement form of asset verification has been established.</p> <p>Re-raised as issue 7 above</p>	<p>Remedial action agreed</p> <p>a) Capital appraisal process to be amended to include number & type of assets Assistant Head of Finance (Financial Mgt & Planning)</p> <p>b) Proforma to be issued.</p> <p>Responsibility for action</p> <p>a) Finance Manager (Capital and Treasury)</p> <p>b) Team Leader Estates & Asset Management</p> <p>Deadline for action 31/03/08 (for both)</p>
7	<p>Although exception reports detailing amendments made to standing data on the fixed asset register system (AIRS) can be produced, it was noted that only 1 such report is run at year end.</p>	 Medium	The Authority should ensure that exception reporting functionality of the AIRS system is explored and relevant reports are regularly run that show amendments to standing data which should be reviewed for accuracy and reasonableness.	<p>30th June 2007.</p>	<p>Outstanding:</p> <p>Whilst officially nothing has been updated on AIRS for 2007/08 no exception reports have been run to ensure that this is the case.</p> <p>Re-raised as issue 8 above</p>	<p>Remedial action agreed</p> <p>Exception reports to be run quarterly from 2008/09. Deadline reflects end of first quarter being 30 June.</p> <p>Responsibility for action Accountant (Systems)</p> <p>Deadline for action 31 July 2008</p>

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
8	It was noted that all vehicles, plant and equipment are valued at depreciated replacement cost whereas the Resource Accounting Manual states this should only be used where no market value is ascertainable.	 Medium	The Authority should ensure that an annual exercise is performed to determine the market value for all vehicles, plant and equipment and depreciated replacement cost is only used as a last resort.	Disagree. Consider that depreciated replacement cost approach is most appropriate for these assets.	Outstanding: This is non-compliant with the SORP and, if this is not rectified, needs to be disclosed as such in the Financial Statements. Re-raised as issue 9 above	Remedial action agreed SORP Guidance for 2007/08 accounts states on page 83 that vehicles, plant and equipment should be valued at the lower of net current replacement cost or net realisable value. This will be complied with for the final accounts. Responsibility for action Assistant Head of Finance and Finance Manager (Capital and Treasury) Deadline for action 31/05/08

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
9	<p>It was noted that there have been significant changes within Finance for capital accounting, partly due to the results of the Root and Branch exercise which has seen the post of Capital Accountant being left vacant but also the responsibility for capital accounting has been brought under the remit of revenue finance as part of the overall financial strategy.</p> <p>This appears to have caused some uncertainty over roles and responsibilities for year end processes.</p>	<p>● Medium</p>	<p>The Authority should ensure that roles and responsibilities in relation to Capital Accounting are assigned to appropriately trained staff and year end processes completed.</p>	<p>Agreed. Revised Finance structure being put in place includes a Finance Manager Treasury & Capital Accountant. Assistant Head of Finance (Financial Mgt & Planning) January 2008.</p>	<p>Implemented: Implemented by the appointment of Assistant Head of Finance (Financial Management & Planning) and Finance Manager Treasury & Capital Accountant. In addition recruitment has begun for two other individuals who will take on roles within Capital Accounting. However, it should be noted that there remains some uncertainty as to who is responsible for certain tasks as per Issue #2 above.</p>	<p>n/a</p>

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
10	It was noted that there is no independent review of the Capital Charges data uploaded to the general ledger by the Systems Accountant. As such potential inaccuracies in the posting of charges relating to capital assets may go undetected for months.	● Medium	The Authority should ensure that Capital charge information uploaded to the general ledger is subject to regular and timely review. This could entail a control such as reconciling a sample of charges expected to actual charges sent to given codes.	Agreed. Assistant Head of Finance (financial mgt & planning) 31 st October 2007.	Outstanding: Appears to remain outstanding from discussions held. Please advise if this is not the case. See issue 12 in findings and recommendations	Remedial action agreed Agreed – For 2007/08 only (due to lack of staff for the bulk of the year) this will be done at year end. Responsibility for action Finance Manager (Capital and Treasury) Deadline for action 31/05/08
11	It was noted that the AIRS system does not enforce regular password changes and instead emails are occasionally sent out asking staff to amend existing passwords.	● Medium	The Authority should seek this facility immediately from the software supplier and use it to enforce regular password changes for access to AIRS	Need clarification as to why this is outstanding as no action required.	Outstanding: Tony Skinner confirmed that this had been discussed with system provider but forgotten so he would follow this up to discover if this can be implemented in the new version of AIRS. Re-raised as issue 9 above	Remedial action agreed Systems have been in touch with AIRS and are currently awaiting a response. In the interim reminders will be sent to prompt password change. Responsibility for action Accountant (Systems) Deadline for action 30/06/08

Ref.	Control weakness found	Risk rating	Recommendation	Remedial action agreed and implementation	Current status	Revised Management Response
12	<p>It was noted that nothing appears to be done at a corporate level to consider the utilisation of assets against the charge they generate to ensure they are used in an effective manner.</p> <p>Although it is considered to be the responsibility of individual budget holders to assess whether holding the asset is in their interests or not, whilst land and buildings may be identified as impaired/surplus to requirement during Property Review Group meetings this is not sufficient monitoring of utilisation and does not cover Plant, Vehicles and Equipment.</p>	<p>● Low</p>	<p>The Authority should ensure that all assets are reviewed to assess their associated charges against value in use to ensure they are utilised appropriately.</p>	<p>Agreed. Finance Manager Capital and Treasury to instigate and manage review process. Assistant Head of Finance (financial mgt & treasury)</p> <p>30th November 2007.</p>	<p>Outstanding: Appears to remain outstanding from discussions held.</p> <p>Re-raised as issue 10 above</p>	<p>Remedial action agreed Agreed Responsibility for action Finance Manager (Capital and Treasury) Deadline for action 30th November 2008</p>

Appendix 1 - Terms of Reference

The objectives of our review were to ensure that:

- there are approved policies and procedures in place for the treatment of fixed assets;
- acquisitions, disposals and transfers of Fixed Assets are identified and treated correctly;
- capital assets are completely and accurately recorded in line with the Local Authority Statement of Recommended Practice and are disclosed appropriately;
- adequate systems are in place to account for capital charges and revaluations and for verification of fixed assets;
- Fixed Assets are considered for indicators of impairment and whether they are surplus to operating requirements; and
- the Fixed Asset system is secure against unauthorised access and data loss.

Appendix 2 - Assurance ratings

Level of assurance	Description
High	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
Moderate	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
Limited	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
No	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>

In the event that, pursuant to a request which Northampton Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PricewaterhouseCoopers (PwC) promptly and consult with PwC prior to disclosing such report. Northampton Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Northampton Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Northampton Borough Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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