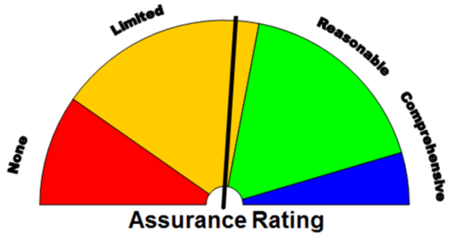
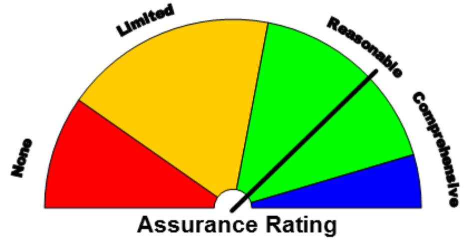
3067 Derby City Council S24 Capital Assets

Recommendation Management Framework

Original Assurance Rating



Revised Assurance Rating



Rec No	Original Risk Rating	Weakness	Additional Evidence/Comments	Revised Risk Rating
1	**Moderate**	There was no evidence that the process of monthly validation of capitalised salaries, introduced in January 2018, included a review of values, to confirm completeness. The year- end certification had been done on lump sums values rather than on a project by project basis, with amounts posted not reconciled to the holding accounts Spreadsheet.	**Original Response – Not Accepted** "This is sent out to Accountants and Service Managers on a monthly basis to sign off they agree or disagree that the person has been charged at the correct rates to the relevant capital scheme. Any adjustments needed are processed by the service capital accountants. We are performing a quarterly reconciliation to ensure that capital salaries are charged correctly. The process is fully documented, there is a policy document and the monthly sign off sheets as described above." **Post Audit – Weakness Addressed** We were provided with evidence that there is a quarterly sign off of the capitalised salaries for the period. This included the amount for the period	**Implemented**

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			and signed confirmation by the relevant Principal Accountant that the rates used were correct. Although the year-end certification was on a lump sum basis we accept that the project by project proposal was made by the interim Director of Finance and was not a requirement of External Audit.	
2	**Low**	There was no evidence of reconciliation of eureka fees-salaries capitalised (as noted on general ledger holding codes), to the values posted to the General ledger (capital codes,) on a project by project basis.	**Original Response – Not Accepted** "TRAMPS recharges are processed periodically, there is no holding code. This is a time recording system and the output report from TRAMPS is reconciled to the journal as a normal course of operations and informally reconciled. A final year end formal reconciliation is completed and provided to external audit when requested." **Post Audit – Weakness Addressed** A revised format reconciliation had been introduced for 2018/19, following a recommendation from external audit following their review of the 2017/18 accounts.	**Implemented**
3	**Moderate**	Capital transactions were not being processed throughout the year to ensure revaluation and recording routines were embedded. The Capital Accounting RAM system and the general ledger were reconciled only at the year-end when the general ledger was updated via journals.	**Original Response – Not Accepted** "The S24 action agreed by the previous S151 officer has been superseded as it was not felt this was the most appropriate solution. However we understand that this was the basis on which the audit was conducted. Because of the nature of capital expenditure and the way in which projects are planned the majority of capital expenditure comes through into the ledger in the latter part of the financial year. Disposals are few in number and are not time consuming at year end. There would little point in placing them in RAM as a disposal value could	**Moderate**

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			not be generated until we have the year-end valuation for the particular asset. Revaluations won't be put in the ledger due to the nature of the process because we do not have the information from DVO until the end of the 3rd qtr. This date cannot be brought forward as DVO are trying to give as accurate year end value as possible and they are not permitted to have too greater gap between their valuation and year end." **Post Audit – Not Accepted** Accountancy maintains that this is not the most appropriate solution to the issue.	
4	**Moderate**	The value of indexation provided by a professional valuer had not been applied to the properties' value. A rationale for not applying indexation has not been provided and the agreement of the external auditors to this could not be demonstrated.	**Original Response – Not Accepted** "It was agreed with EY that Accountants would not apply indexation to assets whether or not provided by a relevant professional. The only exception to the above is Housing stock which was agreed with EY and provided by the DVO. Again the S24 action was inappropriate and could not be actioned – appropriate officers should have been consulted prior to its agreement to outline the detail and issues." **Post Audit – Issue Addressed** Accountancy provided a copy of the 2017-18 Housing Stock movement tracking schedule that included the adjusted total value of housing stock from the Valuers report.	**Addressed**
5	**Low**	Guidance and procedural documents were not comprehensive; they did not include the process for transfer of data from the valuations records to the RAM system or reconciliations between the RAM and SAM systems.	**Original Response – Issue Accepted** "We will review the documentation we do have by 31 March 19 to ensure fit for purpose."	**Low**

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6	Low	The procedures for selecting assets for valuation, notifications to the valuer and checking and recording of the results were not documented.	**Original Response – Issue Accepted** "Estates Comments: I can confirm that we acknowledge the identified risk, the level of risk and recommendation as set out above. It is recognised that although these specific actions (selecting of assets/notifications to the valuer and checking/recording results) were undertaken as part of the delivery of the 2017-2018 Asset Valuation programme they weren't fully documented as a separate working paper/procedural document/from the outset. The responsible owner will delegate the action to the Principal Asset Valuer/Contract Manager and in accepting this risk and associated recommendations will ensure the following actions are implemented:- • A procedure note will be compiled and included as part of the Valuation Manual for the 2018-2019 Asset Valuation programme. We will aim to achieve this by September 30th 2018. • The procedure note will set out:- ○ The rationale for how assets will be selected and will clearly state whether they are annual revaluations or form part of the "basket of goods" for the 5 year rolling programme ○ Who will chose the assets ○ The process documenting how the external valuer (the DVS) will	Low

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			be instructed and by whom ○ How the checking and recording of the valuation reports / addition onto OneDrive will be dealt with Bullet points 3 and 4 will are closely correlated to the specification as set out in the contract, entered into with the DVS, with effect from October 2017. The Contract Manager will be responsible for ensuring that the wider members of the team are kept up to date with progress of report delivery on a weekly basis via the implementation of dashboard reporting. Please note, for completeness, this action as outlined above will be incorporated into the Asset Valuation Delivery Plan 2018-2019 and monitored accordingly."	
7	**Low**	Dates for completion of asset valuations for 2017/18 noted in the year end plan did not align with the stated intention to complete the exercise by quarter 3, December 2017. The year-end closedown plan included deadline dates in March 2018.	**Original Response – Issue Accepted** "The intention was to complete by the 3rd qtr but delays from both DVO and Estates impacted on the timetable. Valuation process and capital processes do not align to achieve a February completion as the Valuation process comes after capital expenditure."	**Low**
8	**Moderate**	Property valuations provided by the valuer were not transcribed accurately to the asset register (RAM system). Componentisation analyses provided by the valuer were not transcribed accurately to the componentisation and depreciation working paper.	**Original Response – Issue Accepted** "The limited transcription issue was as a result of the compacted timescales as a result of the delay issue mentioned above. For 18/19 we will split assets by Land and Buildings in accordance with	**Moderate**

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			the valuation certificate. The valuation certificates are checked independently but due to expediency some were input as a single figure rather than split in 17/18 Further checks will be implemented during 18/19 to try to eliminate any transposition errors."	