

Final Accounts Report

Brent London Borough Council

Audit 2007/08

February 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Summary report

Introduction

- 1 This report details the main findings of our financial statements audit which was completed on the 30 September 2008 and resulted in an unqualified opinion. The report is prepared for management and is in addition to our earlier Annual Governance Report which was reported to those charged with governance.

Background

- 2 The Accounts and Audit Regulations 2003 require Local Authorities to prepare a statement of accounts in accordance with proper practices (CIPFA SORP).
- 3 We are required by the Code of Audit Practice to give an opinion on whether the Council's financial statements present fairly:
 - the financial position of the Council and its income and expenditure for the year; and
 - the financial transactions of the Pension Fund for the year and the amount of disposition of the fund's assets and liabilities at the year end, other than liabilities to pay pensions and other benefits after the end of the scheme year.
- 4 Our opinion covers the following statements.
 - Income and Expenditure Account (I&E)
 - Balance Sheet
 - Cash Flow Statement
 - Housing Revenue Account
 - Collection Fund
 - Group Accounts
 - Pension Fund Statement
 - Supporting notes to the statements
- 5 In addition we issue an opinion on the Whole of Government Accounts consolidation pack a value for money conclusion.

Main Audit Findings

- 6 The most significant findings were reported to those charged with governance in our ISA (UK&I) 260 Annual Governance Report. These are detailed in table 1.

Table 1 Audit Findings reported to those charged with governance

Issue or Risk	Finding
A detailed listing of infrastructure assets is maintained by the Council. However the listing does not include values of the assets held. We were unable to reconcile the asset listing to the fixed asset register.	The Council has been unable to reconcile the infrastructure asset listing to the fixed asset register. New financial reporting requirements may require the Council to keep detailed records.
Foundation schools are included in the balance sheet. There is a risk that these assets should not be included in the balance sheet under financial reporting standard 5.	The Council subsequently undertook a review of the accounting treatment of foundation schools against financial reporting standard 5 and the on-balance sheet accounting treatment was deemed correct. No further action was required.
The Council implemented a new payroll system during the course of the year. The Council experienced difficulties in undertaking reconciliations on the payroll system to the general ledger.	Reconciliations were undertaken following the introduction of the new payroll system however reconciling and unusual items were not investigated and resolved in a timely basis.

- 7 During our interim audit we gained an understanding of the organisation and its environment and assessed the risks of material misstatement as required in ISA (UK&I) 315. This entailed having discussions with the key contacts in each department to gain an understanding of the organisational structure and then documenting and walking through each individual material financial system. As the first year of our audit this was a time consuming exercise and thus we did not undertake any controls testing. This meant that that we undertook a fully substantive audit of the financial statements. In future years we intend to undertake early controls testing in order to reduce the amount of substantive testing that is undertaken at the post statements stage.
- 8 During the planning stages, we were informed that the workbooks provided by the Council would provide clear audit trails from the financial statements to the departmental ledgers however the adequacy of the working papers and the workbooks was variable. We found that whilst some workbooks contained a clear audit trail from the SUN system to the relevant reporting ledger followed by a ledger breakdown, other workbooks had poorly referenced and insufficient information to allow a link to be made between the SUN system and the ledger. The quality of the working papers and the workbooks is an area for improvement for future years.

Main conclusions and next steps

- 9 In conducting this audit, we identified opportunities for the Council to improve its internal controls and financial reporting. The action plan included in this report sets out recommendations to support improvement.
- 10 We would like to take this opportunity to thank the Council officers for the assistance provided over the course of the audit. In particular we would like to thank the Assistant Director of Finance, Head of Financial Management and Finance Manager (Corporate Finance and Resources).

Detailed report

Pre Statements Audit

General Ledger

- 11 We found that the Abacus (social care) system was not reconciled to the total amount banked on Oracle. Additionally Oracle and Abacus are currently not reconciled on a monthly basis for payments and invoices. All systems which inform the ledger should be reconciled to the ledger on a regular basis to identify errors at an early stage.
- 12 Our audit revealed that the Housing Benefits system, I World, was only reconciled to the ledger at year end. This approach can lead to the late identification of significant errors.
- 13 Across all of the departments weaknesses were found in the adequacy of supporting documentation to evidence the production and review of control account reconciliations for the accounts payable and accounts receivable systems. For example in the Children and Families department we could not find evidence that reconciliations and control accounts are reviewed by a manager or authorised by the preparer. It is good practice for these reconciliations to be signed and dated by the preparer and reviewer to ensure segregation of duties and supervision are maintained and evidenced.

Recommendation

- R1** Reconcile all feeder systems to the ledger on a monthly basis and ensure documentation is kept to show evidence of review.

Journals

Environment and Culture

- 14 Our walkthrough of the procedure for raising journals found a lack of segregation of duties occurs between those officers authorised to approve journals on the system and those officers who can process the journals. Additionally we found that after the journal has been entered onto the system there is no subsequent review of the processed journal transfers. It is recommended that the department introduces a segregation of duties and regular review of processed journals to ensure that all journal transfers are valid and authorised.

Detailed report

Children and Families

- 15 Journals are not consistently authorised by a manager or budget holder. Where the journal relates to a 'new' transaction, for example journaling in of payroll from an account outside Children and Families (C&F) department then the journal should be authorised. Where the journal is a transfer between two C&F codes, the journal may not be authorised. It is unclear as to when a journal should be authorised per procedures. It is good practice to ensure all journals are authorised as this gives additional assurance over classification and accuracy.

Adult Social Care

- 16 Journals were not counter signed by the preparer and authoriser and journals lacked sufficient supporting documentation.

Recommendation

- R2** Undertake a monthly review of all journals to ensure a segregation of duties between approving and processing of journals.

Housing

- 17 When orders are raised they are not recorded centrally nor are they sequential numbered. Orders are first recorded when an invoice is received, as such if an order is placed in one financial year but not delivered until after the ledger closes then there is the risk that the order will not be recorded in the correct financial year.

Recommendation

- R3** Introduce a system of raising purchase orders for all orders to ensure that expenditure is recorded in the correct financial year.

Housing Rents

- 18 We found that payments of rent are not directly credited to the Rent Due debtors account in Oracle Financials instead they are credited to a separate debtor accounts (which are coded based on the methods of payment). Payments accounts include Natwest Cash, online, credit card and PayPoint. These payment accounts will always have a credit balance as all rent payments are credited to these accounts whilst all rent due amounts were debited to a separate Rent Due debtor account. It is recommended that the Authority introduce a process of ensuring that the debtors closing balance is netted off against credit balances in the payments accounts to ensure accurate year end reporting.

Recommendation

- R4** Review on a monthly basis the balances on the Rent Due debtors account and match to the corresponding credits in the Payments account.

Adult Social Services

- 19** Internal Audit (IA) undertook a review of the Oracle system. From a sample of 15 invoices selected, IA identified that there was inadequate segregation of duties in the receipting of goods/services and authorisation of the invoice. Furthermore, it was found that users with Accounts Payable User access are able to input and process invoices for payment without any intervention from a second user. This therefore allows them the ability to authorise, input and process invoices.

Recommendation

- R5** Ensure a segregation of duties between receiving goods/services and authorising invoices for payment.

Cash and Bank

- 20** Through discussions with officers it was brought to our attention that if there has been no activity or movement on a bank account during the year the bank will sometimes close these accounts (and retain the funds) without informing the Authority. In these instances the units/service areas will reconcile these bank accounts to the ledger by relying on the last bank statement that they had. This means that the units/services are not informed of any interest earned on these bank accounts and the ledger is not updated accordingly. This presents a risk of accuracy and completeness if some bank accounts have not got the annual interest received included. There is also the risk of completeness if bank balances are not included in the bank listing and units/service areas rely on the bank listing to prepare their year end reconciliations.
- 21** Our audit work identified weaknesses in the documentation kept for the bank control account reconciliations. The reconciliations are not fully documented with ledger prints and bank statements and there was inconsistency in evidence of review.

Recommendations

- R6** Ensure that activity on bank accounts is monitored regularly throughout the year and all accounts are reconciled on a monthly basis.
- R7** Ensure all bank control account reconciliations are undertaken on a monthly basis and these are fully documented, evidenced and reviewed.

Detailed report

Fixed Assets

- 22 The fixed asset register is only updated for additions, disposals and revaluations at the end of the financial year. It is recommended that the Authority update the fixed asset register on a regular basis to enable audit to undertake early controls testing. This will help to reduce testing at the year end and thus facilitate a smoother post-statements audit.

Recommendation

- R8** On a monthly basis update the asset register with movements in fixed assets in each department.

Social Care (Framework I, Abacus and Oracle)

- 23 It is currently not possible for the Council to reconcile the two social services systems: Framework I and Abacus. The absence of this reconciliation resulted in a fully substantive audit to enable us to give our audit opinion. We understand that the Council is aware of this issue and is working to resolve it.
- 24 Furthermore our audit found that there are no specific controls over the quality of financial assessment evidence gathered by Social Workers. Social workers are currently making assessments over the ability of individuals to make contributions to their care without any specific oversight and quality control.

Recommendations

- R9** Reconcile Framework I and Abacus on a monthly basis. Retain evidence of this reconciliation.
- R10** Undertake quarterly reviews of the quality of the financial assessment evidence provided by Social Workers.

Post Statements Audit

The Audit and Closedown Processes

- 25 It was agreed at the start of the audit that all queries would be answered within two working days. Most queries were answered promptly but some delays were experienced. For example it took staff in Adult Social Care a number of weeks to reconcile their local ledger (Oracle) to the central SUN system and this resulted in delays to our audit work. Delays increase the risk of a delayed opinion and require a greater input of time from both Council and Audit staff.

- 26 Owing to the devolved finance structure at the Authority we had a number of key contacts across the departments whom we went to for queries however it was felt that during the audit that there was not one central person who was responsible for the whole process and who was familiar with the complete set of financial statements. This meant that on occasions audit staff were referred to many different people before reaching the correct person.

Recommendations

R11 Respond to all queries within the agreed timeframe as per the Final Accounts Protocol.

R12 Ensure central control and coordination of the financial statements.

Accounts Presentation and Working Papers

- 27 The devolved finance structure at the Authority means that each unit completes a year-end workbook which is entered into the SUN system which then produces the consolidated financial statements. At the start of the audit we were not provided with working papers to show the link from the financial statements via the SUN system to the individual workbooks. This led to delays in establishing sample sizes and deciding which units to focus substantive testing on.
- 28 The quality of the information provided in the workbooks was variable in terms of depth of detail and adequacy of the audit trail and this is an area that needs to be improved in future years. Additionally the working papers to support core statements such as the Statement of Movement on the General Fund Balance and Statement of Realised Gains and Losses, and also for the Group Accounts were considered poor and demonstrated a lack of quality checks over the working papers before submission to audit.
- 29 The Council's financial statements were approved by the General Purposes Committee on 26 June 2008. However the financial statements did not include the Pension Fund statements as required by Regulation 7(1) of the Accounts and Audit Regulations 2003.
- 30 These were approved on 18 September by the General Purposes Committee.
- 31 We found instances where the disclosure presentation was not in line with the SORP.
- Cashflow Statement
 - Housing Revenue Account
 - Statement of Movement in the General Fund Balance
- 32 We found other instances where the disclosure content was not in line with the SORP.
- Leases note
 - Related Party Transactions note
 - Financial Instruments accounting policy.

Detailed report

- 33 Although the Authority made the required amendments it demonstrated a lack of reference to the SORP when preparing the financial statements and the accompanying notes.

Recommendations
R13 Provide an audit trail of the financial statements back to the individual unit workbooks.
R14 Perform evidenced internal quality reviews of the accounts and supporting working papers.
R15 Include the Pension Fund statement within the financial statements for approval.
R16 Adhere to the requirements of the SORP in preparing the financial statements and the accompanying notes.

Tangible Fixed Assets

- 34 During our audit we noted that there were 11 foundation schools with a total book value of £105,868k included in the asset register. Initially the Authority did not have any justification for this on-balance sheet treatment and thus we requested them to undertake an FRS 5 analysis of each individual school. This analysis concluded that the schools should remain on the balance sheet as the substantial risks and rewards of ownership remain with the Council. The categories analysed in the Council's analysis were reasonable and did not omit any key aspects that would be expected in an FRS 5 analysis.
- 35 During 2007/08 the Authority undertook an impairment review of its intangible fixed assets however there was no formal documentation of this review. Assurance over this review was obtained through the Letter of Representation that was signed by management. For future years impairment reviews should be documented.
- 36 An issue was noted with the sufficiency of the asset register maintained by the Authority. There is not a definitive listing of all assets held by the Authority and the asset register for infrastructure and vehicles, plant and equipment (VPE) is maintained at a scheme/project level. A detailed listing of infrastructure and VPE assets is maintained by the Council. However the listing does not include values of the assets held. We were unable to reconcile the asset listing to the fixed asset register. For VPE where the information is not contained within the asset register we would expect inventories of these fixed assets to be held by individual service departments where records could be linked to the asset register. For infrastructure assets we accept the difficulties of capturing the information however, International Financial Reporting Standards (IFRS) require the Council to keep detailed records and it is recommended that the Authority undertakes an exercise to review the sufficiency of the entries in its asset register.

- 37** Audit work revealed that the Private Finance Initiative (PFI) for Willesden Sports Centre was incorrectly included on the balance sheet, the correct accounting treatment being off-balance sheet. This resulted in a £10m amendment to the balance sheet. IFRS requirements may lead to this becoming on-balance sheet and the Authority should keep up to date with developments in this area.

Recommendations	
R17	The Council should undertake a regular review of the on-balance sheet accounting treatment of foundation schools to ensure that the risks and rewards remain the same and that the accounting treatment adopted is still appropriate.
R18	Ensure formal documentation is retained as evidence of all impairment reviews.
R19	Individual VPE assets should have a unique identification number in the fixed assets register and individual service units should maintain an inventory of VPE.
R20	Introduce a fixed asset register for infrastructure assets that records assets in line with IFRS requirements.
R21	Ensure PFI scheme assets are correctly accounted for on the balance sheet.
R22	Ensure that Authority is up to date with the new IFRS requirements in respect of fixed assets and PFI.

Loans, Borrowings and Investments

- 38** 2007/08 saw the introduction of FRS 26 Financial Instruments: Recognition and Measurement and FRS 25 Financial Instruments: Presentation and Disclosures. This resulted in a number of amendments to the financial statements.
- The FRS requires borrowings and investment balances to include accrued interest at the year end. Our audit found that the Authority had accounted for the accrued interest separately and thus amendments were required. This had no impact on the bottom line.
 - A new Financial Instruments Adjustment Account reserve was created in 2007/08 however the draft balance sheet showed this account as a current asset. The Authority amended for this and there was no impact on the bottom line.
 - £10m of short term investments were found to be long term because their maturity date was in 2009/10. The Authority amended for this and there was no impact on the bottom line.
 - The financial statements were amended to include a SORP compliant accounting policy for financial assets and liabilities.
- 39** These amendments ensured that the financial statements were SORP compliant.
- 40** During 2007/08 the Authority charged transaction costs such as brokers' fees straight to the Income and Expenditure account. The SORP requires that these costs be included in the fair value of the investments and borrowings balances.

Detailed report

Recommendations
R23 Ensure that all changes to the SORP are fully understood and implemented.
R24 Accrued interest at the year end should be included in investment and borrowings balances as opposed to being included in the debtor and creditor balances as required by the SORP.
R25 Review maturity dates of all investments to ensure correct categorisation between long and short term.
R26 All transaction costs should be separately identified and included in the fair value of the investments and borrowings.

Cash and Bank

- 41** Our sample testing of bank reconciliations found that one bank account (account number 95711317) included balances for un-presented cheques dating back to 2001/02. Those cheques over one-year old totalled £102,557.84. It is good practice to cancel cheques older than six months and write these back to creditors.

Recommendation
R27 Cancel and write back all cheques that have not been presented within six months of issue.

Provisions and Contingent Liabilities

- 42** Sample testing noted a provision for PSL properties. These are properties leased by the Authority to rent to users. The provision is made for any repairs required on these properties before they are returned to the landlord. Originally to calculate the provision amount the Authority applied a methodology based upon the number of properties. The number of properties has increased from 314 to 431 but the Authority has not reviewed its calculation.
- 43** The contingent liabilities note contained a number of entries however the draft financial statements disclosed no values for these. We accepted that the Authority did not want to disclose amounts for fear of prejudicing the outcomes however to improve the readability of the financial statements we advised a total contingent liability amount be disclosed. The Authority amended for this disclosure.

Recommendation
R28 Undertake comprehensive in year reviews of the adequacy and appropriateness of provisions and contingent liabilities.

Income and Expenditure Statement

- 44 The Authority does not currently reconcile the ledger and the housing benefits system on a monthly basis, instead reliance is placed on the process of updating the ledger on a monthly basis with the payments per the housing benefits system. The absence of this reconciliation raises a risk that the ledger and the housing benefits system do not reconcile which will have an impact on the housing benefits and council tax benefits subsidy claim.
- 45 The Authority changed payroll systems in November 2007 from the Unipay system to the Interact payroll system. From this date the Authority undertook a three-way check of the employee costing report (which gets sent to each individual department to post onto their ledgers) checked to the payroll gross to net output statement checked to the funding statement (which instructs the bank payments to the employees). This three-way check ensured that the outputs from the payroll system were agreed to what the bank was instructed to pay and to the files sent to the departments to be loaded onto their ledger. However our audit found a weakness in the timeliness of resolving investigations into reconciling items identified from this three-way check. We would expect the reconciling items to be investigated and resolved on a monthly basis however this procedure was absent during 2007/08.
- 46 The SORP recommends expenditure on publicity is broken down into the major components and reported in the financial statements. Currently the Authority states the total expenditure and notes that a large proportion relates to recruitment advertising.
- 47 While performing substantive income and expenditure testing in the Adult Social Care directorate a difference was noted between the SUN system and the local ledger (Oracle). Although trivial (£839.62) this demonstrated an internal weakness in the process of ensuring that what's included on the local ledgers is correctly uploaded onto the SUN system via the workbooks.

Recommendations

R29 Reconcile the housing benefits system to the ledger on a monthly basis.

R30 Investigate and resolve on a monthly basis all reconciling items identified during the payroll reconciliations.

R31 Analyse the actual publicity expenditure in year so that the major components are identified and their disclosure is correct.

R32 Ensure the SUN system is correctly uploaded with data from the local ledgers.

Collection Fund

- 48 Our audit of the collection fund found that the council tax income is recorded on SX3 (the council tax system) and journalled into SUN at the year end however there is no actual reconciliation between SUN and SX3 to ensure that the data has been transferred accurately. Reconciliations between the ledger and subsidiary financial systems are a key control and the Authority should be actively performing the reconciliations on a frequent basis.

Detailed report

Recommendation

R33 Reconcile all ledger and feeder systems on a monthly basis.

Pension Fund

- 49** Minor disclosure amendments were made to the Pension Fund statement and its accompanying notes to ensure compliance with the SoRP.
- 50** External confirmations were obtained by audit to support the investment balances. For two investments (Gartmore and Capital Dynamics) the balance confirmed by the third party differed from that included in the statement owing to timing differences. The Authority should ensure that it includes the valuations of investments as at the 31 March.
- 51** When preparing the notes to accompany the Pension Fund statement the Authority placed reliance on information provided by the London Pension Fund Authority (LPFA) who are the administrators for the Fund. Our audit found the breakdown of this information did not agree with the payroll system. The note was amended and there was no impact on the bottom line. The Authority should review the accuracy of the information provided by LPFA by agreeing it to the payroll system.

Recommendations

R34 Ensure that disclosures in the Pension Fund statement are compliant with the SORP requirements.

R35 Investments included in the Pension Fund statement should be valued as at 31 March.

R36 Reconcile all information from the LPFA to the payroll system.

Reserves

- 52** Our audit found that the financial statements contain notes for all major reserves however there is no clear split between (i) gains and losses taken to each reserve for the period and (ii) net amount transferred to or from reserves for the period. This is a requirement in the SORP.

Recommendation

R37 Ensure major reserves are split between (i) gains and losses taken to each reserve for the period and (ii) net amount transferred to or from reserves for the period.

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Pre-Statements Audit						
6	R1 Reconcile all feeder systems to the ledger on a monthly basis and ensure documentation is kept to show evidence of review.	3	ASC/ Dave Huberman/ Children & Families	Partly agreed	See comment under R29 relating to housing benefits. Children and Families are dealing with backlog and intending to reconcile monthly. Abacus is reconciled to Oracle monthly. Documentation is signed off by Head of Finance.	
7	R2 Undertake a monthly review of all journals to ensure a segregation of duties between approving and processing of journals.	1	Environment & Culture/ C&F/ASC	Agreed when service areas are on Oracle	This will be fully implemented for Environment when they are on Oracle. It is no longer applicable to C&F now they are on Oracle. ASC journals are reviewed monthly by the Management Accountants for each service.	
7	R3 Introduce a system of raising purchase orders for all orders to ensure that expenditure is recorded in the correct financial year.	3	Housing	Agreed – but timing is dependent on implementation of purchase ordering system as part of Oracle implementation	We currently have systems and controls in place which ensure that goods or services ordered in one financial year, but not delivered in the relevant financial year-end are accounted for in the correct financial year. We are currently in the process of migrating to the Corporate Oracle Financial System, as part of the Single Accounting System implementation project (SAS) in April 2009.	

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					As part of the SAS, the Council is planning to introduce a corporate Oracle IProcurement, an automated purchase ordering system. This new order system, when its operational, will ensure that no invoices will be paid unless there is an order. Housing plan to implement the IProcurement system when it is ready.	
8	R4 Review on a monthly basis the balances on the Rent Due debtors account and match to the corresponding credits in the Payments account.	2	Housing	Agreed	We currently post the rent due debits and the payments on separate subjective to a Tenant Rent Control Account. The debits and the credits are netted off in the Control Account to give the rent debtors closing balance at the month end and at the year- end. In addition, we currently undertake a monthly reconciliation of the rent debtors control account to the rent accounting system. We are therefore already doing what the auditors recommended.	
8	R5 Ensure a segregation of duties between receiving goods/services and authorising invoices for payment.	3	ASC	Agreed	Procedures have been tightened up and systems are in place to ensure segregation of duties.	

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R6 Ensure that activity on bank accounts is monitored regularly throughout the year and all accounts are reconciled on a monthly basis.	3	All/ Sarah Cardno	Agreed	The vast majority of the council's bank accounts are reconciled each month. The issue of the bank closing accounts only applies to a handful of accounts containing deposits where there is no movement during the year. The bank has been asked not to automatically close dormant accounts for the last two years. Reconciliation of all bank accounts to the general ledger on a monthly basis is not useful as interest is paid quarterly. Monitoring bank accounts to ledger would identify the problem after the fact and not prevent the occurrence. One option would be for the units with deposit accounts to do £1 transfer out and back again each quarter to keep the bank account active.	
8	R7 Ensure all bank control account reconciliations are undertaken on a monthly basis and these are fully documented, evidenced and reviewed.	3	All	Agreed	This will be emphasised again in Notes of Guidance and training sessions. It would be helpful if auditors let us know if they encounter any problem areas. This will help focus our efforts at appropriate service units.	March 2009
9	R8 On a monthly basis update the asset register with movements in fixed assets in each department.	3	F&CR (capital)	This is currently being reviewed	This is not currently done but we recognise there may be benefits in terms of year-end reconciliations that are needed. It will be reviewed as part of implementation of single accounting system.	

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R9 Reconcile Framework I and Abacus on a monthly basis. Retain evidence of this reconciliation.	3	ASC	Not agreed	ASC will only go live with Framework I on 1 April 2009. Abacus is currently used and reconciled as discussed in R1.	
9	R10 Undertake quarterly reviews of the quality of the financial assessment evidence provided by Social Workers.	3	ASC	Agreed	ASC are aiming to undertake quarterly reviews. Systems will be in place to enable quarterly reviews of the quality of financial assessment. There will be better liaison with Care Management.	
10	R11 Respond to all queries within the agreed timeframe as per the Final Accounts Protocol.	3	All / ASC	Agreed	We are aiming to achieve this. It will be emphasised again in the Notes of Guidance and training sessions. ASC are expecting to improve during the 2008/09 audit.	July to September 2009
10	R12 Ensure central control and coordination of the financial statements.	3	F & CR	Partial agreement	We are a devolved authority. There is a main contact in each service area.	July to September 2009
11	R13 Provide an audit trail of the financial statements back to the individual unit workbooks.	3	All / F&CR	Agreed	Reports were developed during the audit in line with AC requirements. In addition, entries on the Statement of Movement on the General Fund Balance have been input to Sun for the first time. Consequently the 2008/09 audit trails will be much improved. The Statement of Total Recognised Gains and Losses only has three lines to explain. The reconciliation between this and the accounts is best explained through a spreadsheet.	January 2009

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
11	R14 Perform evidenced internal quality reviews of the accounts and supporting working papers.	3	All / F&CR	Partial agreement	Unit Directors have to sign to show approval of the workbooks before they are input to Sun. This point will be emphasised in the Notes of Guidance and the closing training sessions. There is insufficient time for full review of central statements and group accounts before submission to committee for approval, but we will aim for improved working papers.	
11	R15 Include the Pension Fund statement within the financial statements for approval.	3	F&CR	Agreed		
11	R16 Adhere to the requirements of the SORP in preparing the financial statements and the accompanying notes.	3	F&CR	Agreed	AC's interpretation of the SORP is in some cases slightly different to PwC. We will aim to produce accounts in line with AC requirements. This will be discussed at meetings with AC before the 2008/09 accounts are produced. It would be useful during future audits if all differences from the SORP are raised at the time with the people responsible.	

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Tangible Fixed Assets						
12	R17 The Council should undertake an annual review of the on-balance sheet accounting treatment of foundation schools to ensure that the risks and rewards remain the same and that the accounting treatment adopted is still appropriate.	3	F&CR (capital)	Agreed		
12	R18 Ensure formal documentation is retained as evidence of all impairment reviews.	3	F&CR (capital)	Agreed		
12	R19 Individual VPE assets should have a unique identification number in the fixed assets register and individual service units should maintain an inventory of VPE.	3	F&CR (capital)	Partially agreed	We will ensure that there are corresponding entries in the asset register to reflect assets included within individual service unit inventories and that there is a reconciliation between the two. We do not consider it of value to duplicate the detailed information held in inventories within the asset register.	
12	R20 Introduce a fixed asset register for infrastructure assets that records assets in line with IFRS requirements.	3	F&CR (capital)/ Sandor Fazekas	Agreed – implementation from 2010/11	The council has a strategy to deliver IFRS compliance in line with the statutory deadline which, in relation to fixed assets, is currently planned for the accounts for 2010/11. In the meantime, the council has been developing an asset management plan for highways infrastructure assets which will put it in a good position to ensure compliance.	

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
12	R21 Ensure PFI scheme assets are correctly accounted for on the balance sheet.	3	F&CR (capital)	Agreed		
12	R22 Ensure that Authority is up to date with the new IFRS requirements in respect of fixed assets and PFI.	3	F&CR (capital)	Agreed	See above. The council has a strategy to deliver IFRS compliance in line with the statutory deadline.	
Loans, Borrowings and Investments						
13	R23 Ensure that all changes to the SORP are fully understood and implemented.	3	F&CR (L&I)	Agreed		
13	R24 Accrued interest at the year end should be included in investment and borrowings balances as opposed to being included in the debtor and creditor balances as required by the SORP.	3	F&CR (L&I)	Agreed		
13	R25 Review maturity dates of all investments to ensure correct categorisation between long and short term.	3	F&CR (L&I)	Agreed		
13	R26 All transaction costs should be separately identified and included in the fair value of the investments and borrowings.	3	F&CR(L&I)	Not agreed	We agreed with the auditor that the sums involved made this de minimis and chargeable to revenue.	

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Cash and Bank						
13	R27 Cancel and write back all cheques that have not been presented within six months of issue.	3	Dave Huberman	Agreed	The guidance in the Financial Information Manual says nine months as it is known that the bank will honour cheques after six months. A cheque is never 'out of date' and can be cashed if still owing to the payee for up to seven years. Records are required of cheques written back and details are held of replacements to ensure cheques written back are not replaced more than once. This will be monitored to ensure written back values after seven years are moved from liabilities. Article will be put in the March Exchequer Newsletter as a reminder.	
Provisions and Contingent Liabilities						
13	R28 Undertake comprehensive in year reviews of the adequacy and appropriateness of provisions and contingent liabilities.	3	Housing/F&CR	Agreed	This is being reviewed as part of the 2008/09 closing process.	

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Income and Expenditure Statement						
14	R29 Reconcile the housing benefits system to the ledger on a monthly basis.	3	Dave Huberman	Not agreed	Bank reconciliations are carried out monthly. In addition, subsidy monitoring meetings are held monthly. However, subsidy forecast figures are not entered on the ledger, as the forecasts fluctuate through the year, and there would be no benefit from entering forecasts on the SUN accounts system.	
14	R30 Investigate and resolve on a monthly basis all reconciling items identified during the payroll reconciliations.	3	Simon Britton/ F&CR	Agreed	Reconciliation process in place and being undertaken on monthly basis. Work to resolve outstanding reporting issues planned to be completed by March 2009.	March 2009
14	R31 Analyse the actual publicity expenditure in year so that the major components are identified and their disclosure is correct.	3	All/F&CR	Agreed	More detail was added to the publicity note during the 2007/08 audit. The 2008/09 workbooks have been amended so that more details on publicity will be provided.	
14	R32 Ensure the SUN system is correctly uploaded with data from the local ledgers.	3	ASC/F&CR	Agreed	This was only a problem for ASC. We will aim to ensure that the correct procedures are followed when ASC's 2008/09 workbook is submitted.	

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Collection Fund						
15	R33 Reconcile all ledger and feeder systems on a monthly basis.	3	Dave Huberman	Not agreed	A full reconciliation is carried out at year end, and bank reconciliations are carried out monthly. Very detailed monitoring of collection figures and movements in debit is carried out each month. This is not entered on the SUN accounts system as it would be of little additional benefit to do so, and would require a considerable amount of time.	
Pension Fund						
15	R34 Ensure that disclosures in the Pension Fund statement are compliant with the SORP requirements.	3	F&CR (L&I)	Agreed		
15	R35 Investments included in the Pension Fund statement should be valued as at 31 March.	3	F&CR (L&I)	Agreed		
15	R36 Reconcile all information from the LPFA to the payroll system.	3	Simon Britton/ F&CR	Agreed	Manual reconciliation process in place. Beta direct interface file developed for test with planned deployment in March 2009.	March 2009
Reserves						
15	R37 Ensure major reserves are split between (i) gains and losses taken to each reserve for the period and (ii) net amount transferred to or from reserves for the period.	3	F&CR	Agreed – where appropriate	Where there is appropriate information it will be shown. It is rare for there to be transfers between reserves. This is presumably why this is not shown in the SORP guidance notes.	

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