Appendix B
Audit Findings report 2034/2024

No.	Assessment	Issue and risk	Recommendations	Management response	Additional specific actions	Responsible officer	Target completion date	Completion date	Signed off by Audit Committee	RAG status
AF1	**Quality of working papers and clarity of the audit trail**	As noted in the summary page, the audit process was hampered by issues with the clarity of the audit trail provided and a substantial number of audit queries back and forth with officers. We have a number of queries for which officers have not responded to us in a timely manner which has impacted the audit conclusion significantly. • The Council's SOA Template had several mapping errors in the EFA, the Income and Expenditure by Nature and including mapping issues impacting receivables and payables • The working papers to support the financial statements were not immediately available and the engagement team had spent a significant amount of time with officers to obtain the appropriate information. • Listings for receivables and payables were not immediately available. • Listings for additions are cleansed and only have capital additions being recognised in year. • NNDR and Council Tax workings and reconciliations not reconciling. • Fixed Asset Register did not agree to the financial statements.	• Review the process used to produce the year end accounts and identify areas where further improvement needs to be made • Ensure that all disclosure have supporting working papers and there is a clear mapping between the general ledger and the financial statements • Ensure detailed transaction listing agree to financial statements and cleansed listings are provided.	We agree to review, ahead of the year end, our year end accounts processes, we will ensure all disclosures have supporting working papers with clear mapping, and detailed transaction listings agreeing to financial statements are provided.	Team Training session on Working Papers and Journals to be run in February. Close of accounts timetable will be pro-actively managed to ensure all working papers prepared on time. All Assets and liabilities balances to be reviewed. All balances to have an identified senior accountant to review- built into the Closedown Plan Listings for receivables and payable addressed as part of Close of Accounts Action Plan with listings to e be prepared as supporting evidence. Treasury Management & Technical Accountant working with Collection Fund specialist to ensure monthly monitoring of Collection Fund (Council Tax and Business Rates) and reconciliations produced and reviewed. New Fixed Asset Register software to be implemented to reconcile to the Financial Statements	PT/EG PT/EG PT/EG PJ PT	11/2/25 28/2/25 31/1/25	31/1/25		

AF2	**Review of financial statements**	A number of inconsistencies and disclosure omissions were identified during our review of the financial statements. This indicated a lack of internal critical review prior to the financial statements being presented for audit. • Cold Review Points raised in March 2024 by external audit to facilitate a smooth audit for 23/24 had not been actioned by officers throughout the audit. If resolved, this would have assisted and informed the accounts process including resolving any significant matters. • Review of the Accounts, a number of points were raised during the audit by the engagement team. Responses were not provided in a timely manner and were still outstanding or unresolved at the time of writing this report.	• Develop a year end timetable for the production of the accounts which include sufficient time for management review. • Utilises the CIPFA checklist to ensure that disclosures are complete and produced in line with code requirements. • Officers review the requirements of the CIPFA code and any changes pertaining to the year under audit. • Officers engage early with external audit, to discuss any matters that have significant financial implication for the council, such as any significant disposals, additions, or unusual accounting transactions, etc 24/25	We agree to the recommendations. Drafting of a year end timetable is underway, with a complete timetable to be ready by the end of January. We will engage early with the external auditors on any significant issues.	Timetable produced & Chief Accountant and Lead manager setting up weekly meetings with GT Audit Manager Accountants will use CIPFA checklist to check against Senior finance officers to review Code to identify any changes to the Close of Accounts timetable , disclosures, process etc Chief Accountant to seek weekly update meetings with GT Audit Manager	EG PT PT/EG PT	31/1/25	31/1/25		Green
AF3	**Bank Reconciliation Process and Cash and Cash Equivalents**	As noted in the report, our review of the bank reconciliation process identified that the process in place was overly complex and due to the amalgamation of different general ledger account codes that form part of the bank balance. This made identification of reconciling items and their clearance difficult. There were also other issues identified in our review of cash and cash equivalent • 4 bank account confirmations did not have reconciliations - 1 bank account as per the General Ledger for Co-Op was closed in 2016 but it has never been reconciled or cleared from the council's accounting records - There are some petty cash balances as per the General Ledger which have not been reconciled or have had no movement in year (therefore	Perform a review of the bank reconciliation process to simplify the bank reconciliation process and review and clear all old and out of date reconciling items and ensure that amounts included in the reconciliation and the ledger are valid cash items.	We agree to the recommendations. A review of the reconciliation process is being undertaken to simplify the process. This will be done by the end of March, we are in the process of closing bank accounts that are not required and moving balances to one General Ledger code to simply the main bank account reconciliation. After that, there will be two reconciliation to do for two bank accounts (Main & Assets Accounts)	Bank reconciliation was an is being produced monthly. The issue was there were a few dormant accounts which were not being fed in. These accounts have now been closed	AD	02/03/2025	02/03/2025		Green

		unclear the last time these accounts were reviewed) - Reconciliation process requires improvement to ensure there are appropriate clearing of both receivables and payables from the council's records and balances. • Without adequate bank reconciliations in place, we are unable to confirm the balance as at 31st March 2024 is fairly stated. In addition, the bank reconciliation also interacts with the payables and receivables balance, ensuring these are up to date and not materially misstated.								
AF4	**Journals and quality of audit evidence**	Journal entries are used to post both standard and non-standard transactions in Council's general ledger. Management override of controls of an organisation's records often involves the manipulation of the financial reporting process by recording inappropriate or unauthorised journal entries which may occur throughout the reporting period or at the period end. Our testing of journals identified a number of issues. • Journals erroneously posted at year end for revaluation adjustments and in some cases crediting the general fund for accumulated depreciation as opposed to the revaluation reserve, writing off assets incorrectly on revaluations that still existed at year end, • Quality of audit evidence provided for posting of journals needs improving, so that the trail can be followed through by the approve and creates an adequate audit trail.	Review their arrangements for journals posted and ensure policies are updated appropriately to reduce the risk of error or incorrect posting of journals. This could be through ensuring people approving the journals understand the purpose of the journal and audit evidence and explanations are provided.	We agree with the recommendations and will improve training to the accountants - Mid February	Training on Journals being run. All Journals will be subject to a review by a senior accountant- system has been changed to facilitate	PT	02/11/2025			Green
AF5	**Commercial Rental Income:**	Our Review of commercial rental income identified that the Council: The Council has a material income stream from leases. In our review of	The Council needs to put in place appropriate arrangements for the ensuring commercial rental income is accounted for in line with prevalent accounting	The Finance team started accounting for lease incentives in the 2023/24 accounts and included backdated	A review of the rent incentives pre 2023-24 will be carried out. Lease incentives going forward will be clearly communicated to	BH/EG/ Assets	28/02/2025			

		commercial leases we noted that, the Council did not make any revenue accounting adjustment relating to lease incentives embedded within the Council's operating lease agreements as a lessor in prior years and within the current period as per the requirement in the code. This also needs to be reflected in the accounting policies appropriately to the readers/users of the accounts. The Council will need to undertake an assessment to determine the impact of not accounting for lease incentives. For example, lease incentives are common within commercial properties and take many forms.	standards. • Ensure appropriate review of commercial income operating leases (as lessor) and determine impact on revenue recognition. • Ensure the Council updates its accounting policies for operating leases (as lessor) in line with the relevant accounting standard. • Ensure it undertakes a leases audit or review to identify the key information to comply with the requirements of IFRS 16. • Ensure there is a consolidated schedule or working paper folder that summarizes information within the commercial rents income (including lease incentive adjustments, rent reviews etc) and income recognized in year of audit, to facilitate audit being able to audit the information in a timely and efficient manner • Assess the impact of IFRS 15 for those contracts with customers not under scope of lease income i.e. any applicable service charges and other income	adjustments for prior years to the 2023/24 financial year. We agree to the recommendations, but we have provided evidence of revenue recognition in line with relevant accounting standards.	finance and will be held on an incentives register / schedule on which the year end journal will take place. All incentives as part of the full lease will need to be considered as advised by GT. e.g. if a lease is 10 years but has a break at 5 years, it doesn't matter, incentive spread over 10 years and if any further incentive is to be given at yr 5, this needs to be considered from the start.					
AF6	**IFRS 16 Implementation:**	The CIPFA Code has deferred IFRS 16 for local authorities for a number of years. However, most local authorities will be implementing IFRS 16 in 2024/25. There are a number of disclosure requirements which councils are required to make prior to implementation. The Council opted to adopt IFRS 16 voluntarily in 23/24. However, from our review of the accounts, this was not clearly disclosed in the financial statements and our review of the Council's working papers identified issues over completeness and accuracy of the	We would recommend the Council, reverse its work on IFRS 16 and undertake a detailed review in 24-25, in the year, the CIPFA code expects all Local Authorities to implement the new accounting standards. In preparation for the audit of leases accounted for under IFRS 16 the Council may need to review the following: • identified all leases within the public sector adaptation of IFRS 16 where they are a	We agree to the recommendations to add disclosure notes . Our working paper in respect of the refuse vehicles complies with the points raised by GT. We have the peppercorn leases and identified one significant, but not material lease and therefore, will include these in 2024-25.		EG/PT	2023-24 accounts disclosures 5/2/25. Peppercorn rents in 2024-25			

		information. Accounting Policies did not reflect the current adoption of IFRS 16 and disclosure requirements.	lessee (this includes peppercorn rentals) • identified all leases within the public sector adaptation of IFRS 16 where they are a lessor • identified all leases where they are an intermediate lessor and reassessed whether they are operating or finance leases using the period and value of the head lease rather than the life and value of the underlying asset in the assessment • the following information for each lease: - Unique reference - Location of lease documentation - description and class of underlying asset initial cost of right of use asset, commencement date of lease - expiry date, non-cancellable /enforceable term - options to extend (when, cost, likelihood to be applied) - options to terminate (when, cost, likelihood to be applied) - payment pattern(e.g. advance /arrears, monthly /quarterly/ annual) - residual value guarantee if any, initial direct costs - lease incentive amount, upfront payments, estimate of rehabilitation costs (dilapidation provision) - interest rate implicit in the lease / council incremental borrowing rate - any non -lease components, rent review dates, lease modifications							

			We recommend the Council reverses its 23-24 IFRS 16 entries and look to implement this in 2024-25 in line with most public sector bodies.							
AF7	**Accounting for Pooled Investment Funds**	As part of the review of the financial statements, we note the council had pooled investment funds and we requested management review the classification and accounting treatment of its investments.	Management need to undertake a review of its pooled investment and consider the classification of the pooled investments as to whether they come under the scope of IFRS9.	We agree to the recommendation, however it should be noted that since a decision by Council in October 2024, the Council has been drawing down its pooled funds with the majority of funds now closed with only fund (value of £2.5m currently showing a £370k valuation gain) likely to be still open at 31/3/24 before it is closed in summer of 2025. This will mitigate the impact of IFRS9 on the Council. Moving forwards, we will not have any pooled funds to review.	As it will take 6 months to receive the funds from draw down we will need to take this into account in 2024-25. Thereafter will cease to be applicable	PJ/EG	31/05/2025			
AF8	**Group Accounts (Consolidation Process and Accounting Disclosures)**	In our review of the Group Accounts, the Council's Group Accounts, we identified a number of weaknesses relating to the group consolidation process. We were provided with a basic spreadsheet of the council's group consolidation but no supporting evidence workings. In our review we noted: Errors noted within the Group Movement In Reserves Statement. Missing disclosure misstatements (missing material notes to the accounts, i.e EFA PPE Note, Investments, Receivables, Payables, and potentially provisions, unusable reserves)	Management should review and address the findings in our review of the 23/24 financial statements. These matters should be addressed prior to completion of the 24/25 financial statements, with responses shared with the auditors on expected treatment of each of the issues identified to avoid these issues being rolled forward into 25/26 financial statements unaddressed. This will facilitate a smooth and efficient audit group accounts preparation and audit process. We have set for this action to be addressed by March 2025.	We agree to the recommendation. Chief Accountant will address in 2023-24 Draft Statement of Accounts by the end of February 2025.		PT	11/02/2025			

AF9	**Group Accounts (Agreements and Accounting)**	In our review of the Group Accounts, we requested management to provide us with a briefing paper which included the accounting treatment and supporting evidence (i.e. agreements in place between the council and its subsidiaries). We need to understand the relationships between the Council (as parent) and its components. In addition, briefing papers were also requested relating to the accounting treatment of the following: • Loans (long term and short term) advanced to its subsidiaries and how these are accounted for between the two components • Asset disposed by the Council to its subsidiaries and how these are accounted for by both the Council and the subsidiaries • Deferred Capital Receipts within the accounts of the council and how these are being accounted for • Whether Minimum Revenue Provision is being extended to these assets and loans. There is a risk that transactions between the Council and its Subsidiaries are not being appropriately accounted for i.e. noting the substance of the transaction over form. There is a risk	Management should review our briefing paper and provide responses to our queries as to whether the Council has appropriately considered the accounting treatment of transactions between the Council and its subsidiaries including evidence to support the entries. There may potentially be complex arrangements and accounting considerations not being appropriately reflected within its agreements. We would prefer a set of responses to be provided to us by March 2025.	We agree to the recommendation (note the typo in the recommendation) to be completed by end of February 2025.	Complete the briefing paper	PT	28/02/2025		
AF10	**Collection Fund (Business Rates and Council Tax)**	During the audit, we were not provided with adequate working papers that reconciled the collection fund entries. This included an appropriate reconciliation between the General Ledger and the Academy System for the financial year 23/24. The Collection Fund entries should be reconciled to the appropriate reports from the system, and these entries should also be updated and reconciled to the General Ledger. There should also be a further reconciliation from the sub-system to the NNDR3 report.	We recommend that the Council undertake a review of its collection fund workings for 23/24 (and potentially prior years). There needs to be adequate reconciliation undertaken between the system and the general ledger and collection fund entries disclosed in the accounts. Collection Fund workings should follow, guidance as per the Code. In addition, we recommend, provide information pertaining to reliefs applied to accounts in a timely manner.	The Council has taken steps to strengthen its Collection Fund Account monitoring bringing a sector expert who will support the in-house team on a one day a week basis during 2025, with a remit to improve monitoring, improve working papers and build internal expertise and resilience .	Revised NNDR 3 to 2023-24 submitted in February, going forward monthly revenue monitoring of the collection fund will take place	PJ	5/2/2025 & 28/2/25	05/02/2025	

		In addition, we were unable to complete our review of the reliefs applied to business rates and council tax accounts. This information was not provided in a timely manner by council staff.								
AF11	**Fixed Asset Register**	A Fixed Asset Register (FAR) is a detailed list of all fixed assets which are owned by a business. Its main purpose is to enable an organisation to accurately record and maintain both financial and non-financial information pertaining to each asset. The FAR is supposed to be reconciled to the general ledger on an annual basis as part of the closed process and it is also used by the Council's valuer to undertake the annual valuation exercise. Several issues were identified in reviewing the council's property plant and equipment balance and investment properties in the FAR. • The layout and structure of the FAR was difficult to understand and the structure, and there were assets noted in the FAR with negative revaluation reserves. • Opening Reconciliations –our review of the opening FAR didn't reconcile to the accounts. A number of different versions of the FAR were provided during the audit. • Disposals – while no disposals were disclosed in the accounts, we identified some assets that were disposed in year and some assets that no longer exist. • Additions – we noted instances of revenue costs that had been capitalised that will require review. • Classification/Reclassification – we noted issues with classification of certain assets, and a lack of clarity over the purpose the Council were holding the assets which could impact the valuations undertaken.	Establish a process to perform and annual review of assets to ensure that all disposals and reclassifications are amended The Council should review its FAR and determine whether it is fit for purpose, and ensure its layout is appropriate. The FAR provided for audit was on spreadsheet, and therefore it was unclear what controls exist over the data (i.e. who can amend and change data). Council should review its FAR revaluation reserves and impairments and ensure those are appropriate and no negative Revaluations Reserves exist A regular process should be put in place for ensuring the FAR is kept up to date, including a process for updating for additions and disposals occurring during the year. Review the accounting treatment of properties bought on behalf of another party or parties or Asset Under Construction being built on behalf of another party and the business rationale (i.e. is it for service provision or investment income, surplus asset, or is it for specific purchase and sale or other reasons.	We agree to the recommendation. To assist in addressing improvements to the Fixed Assets Register the Finance team will revert to progressing, as a matter of urgency, the procurement and implementation of a Fixed Assets software.	While we wait for the software package to be implemented, Officers will review and agree the Fixed Asset Register to the GL	PJ	28/02/2025			

		•Useful Asset Lives – the asset lives within the FAR drive the depreciation used by the council including potentially MRP. We had no assurance over the values.							
AF12	**PPE & IP Revaluations**	The Council has not had an audit for 5 years. We note from our review of the revaluations that some assets were not revalued in year, as management have made a judgement that assets below a certain threshold are not to be revalued every year. The requirements from the Code and Financial Reporting Council have increased over the last 5 years. Also, the Council needs to ensure it holds up to date floor areas for all its assets and any discrepancies are appropriately follow-up on and documented.	Following on from the above issue, undertake a full review of its assets in the FAR and confirm their existence (this work should be documented to enable audit trail and follow-up). In addition, we recommend the Council undertakes a full review of its assets in 24/25 for both the Council and Group assets (including reviewing and addressing our findings from our review of their valuations of Investment Properties and Property Plant and Equipment) to ensure these matters are appropriately addressed and to help facilitate timely report and an efficient audit.	We agree to the recommendation. To assist in addressing improvements to the Fixed Assets Register the Finance team will revert to progressing, as a matter of urgency, the procurement and implementation of a Fixed Assets software.	Finance will liaise with Assets colleagues to ensure that all the floor area and other information is up to date and available	PJ/Assets	31/03/2025			
AF13	**Receivables and Payables**	While undertaking the substantive testing of debtors and creditors, we requested management to provide a detailed transaction listing for receivables and payables as at the balance sheet date. We were informed that this was not possible as, only the account code balances could be produced. Therefore, we had to select specific account balances from the listing of codes provided which is not in line with our audit approach and resulted in additional time and delays to our review. - There were balances within Debtors that had a credit balance and there were balances with Creditors that had a debit balance. It was unclear whether these balances are required to adjust relevant account balances or not but these were adjusted by management. - We noted differences between the sub-listings provided for the debtors	Perform review of the debtor and creditor account codes to ensure that balances are appropriate and valid and clear those that are not. • As part of working papers provided to the audit team, debtors and creditors provided for audit should have a detailed transaction listing supported with clear audit trails to avoid delays. • Establish a reconciliation process for all debtors and creditor accounts to ensure the balances are fully supported and valid debtors or creditors (removal of in year balances not impacting the closing balance) • Account Codes should be reviewed and ensure they valid debtors and creditors at year end and appropriate reconciliations done to	We agree with the recommendations.	Addressed in 2024-25 audit plan and discussions with budget managers	Service Accountants and Budget Managers	31/03/2025			

		and creditors and the relevant account code balances.	ensure the GL and Control Accounts reconcile.							
AF14	**Debtors Testing**	The Council has a significant number of commercial rents income. Our review of the lease incentives, noted that management only started accounting for lease incentives in 23/24 (no accounting had been in place in prior periods), which potentially means income in the prior period was not being smoothed out on a straight-line basis or in a systematic method as required by the standard IAS 17 and subsequently IFRS 16 in 24/25. Therefore, there is a risk that debtors is potentially materially misstated and we have no assurance or expected impact due to inadequate record keeping or tracking of income. In addition, our testing of receivables and payables testing, we understand, the council bills commercial rents in advance on a quarterly basis to commercial lease holders, one of the quarterly billing takes place in March. The Council uses Cushman and Wakefield's as its agent and there are scenarios whereby tenants may have paid Cushman &Wakefield for the following period that requires an adjustment to the tenants account, i.e. debtor being cleared and deferred income or liability being recognised. While the does adjust accounts at year end, this is based on when Cushman & Wakefield notifies the Council and the timing of those payments	The Council should undertake a detailed review and assessment of its commercial leases and appropriately adjust income in line with the requirement of the standard and corresponding debtor is reflected on the balance sheet through out the length of the lease. The Council needs to put in place robust arrangements at year end to ensure receivables or deferred income on the council's balance sheet is fairly stated and ensuring the Council's cash position is correctly adjusted for.	We agree with the recommendations.	Addressed in 2024-25 audit plan and discussions with budget managers	Service Accountants and Budget Managers	31/3/25			

AF15	**Trade Payables.**	In our review of creditors, we noted a balance that was unsupported relating to Covid-19 Grants potentially payable back to MHCLG, but no record keeping was provided to prove whether this was a payable or not (i.e. we would have expected a record of the grant provided and corresponding expenditure against the grant to arrive at the amount outstanding). This balance and other similar balances on the council's	In addition to the issue noted on working papers being inadequate. Arrangements should be put in place to review balances on the Council's general ledger that have been rolled forward for a number of years and ensure these are matched to subsequent payments or appropriately cleared.	We agree with the recommendations. A review will take place on the £2.4m balance prior to the year end 2024-25		BH	31/03/2025			
		ledger will need to be reviewed. Management have proposed to adjust the payables balance upwards by £2.4m for debit balances that they've informed us should have been debtors. In addition, there were additional errors that required adjustments to the payables balances. We were unable to obtained assurance over the payables from our testing.								
AF16	**Minimum Revenue Provision.**	Based on our review of the MRP from the limited information we have been provided by officers and fact we have no background information or audited prior years, there is a risk that the council's MRP is understated as it currently charges 1% of its CFR against an industry benchmark of 2%. The annuity method defers the MRP charges towards the future, therefore, they will be greater charge or burden to the Council's General Fund, and particularly if benefits from assets acquired does not materialise as projected. We have seen recent examples within the public sector of council's who have not appropriately charged MRP and the associated financial challenges this creates.	• Management provide a briefing paper to audit, including evidence of the advice and associated reports and information provided by their adviser (Arlingclose) historically and currently (at present) including management's review of the outputs, clearly setting-out their own judgement and rationale for the key assumptions and inputs. This analysis clearly document the MRP applied on an asset by asset level and why it deems this appropriate and prudent. • We recommend this information be shared with members, for them to be informed of the key judgements and assumptions management are making and overall impact to the financial sustainability of the Council. • A clear review of the asset lives adopted by the Council within its MRP calculations from a qualified professional and how these align	We agree to the recommendations- more information will be provided on MRP in future for councillors.. Given that the Council in line with one of the options under the guidance is using the annuity method and that the Council's debt was all taken out relatively recently mainly in the period 2016-18 it is not surprising that at this stage the annual MRP percentage is below 2% but under the annuity method it increases each year and ensures ultimately the full MRP is made. Whilst correct that MRP in future years will be greater at the same interest payments (particularly given rate of interest is		PJ/BH/EG	31/03/2025			

			to the Council's asset strategy and current MRP asset lives. • Undertake a sensitivity analysis of applying different inputs and assumptions to the MRP model and expected impact and provide explanations on why the current inputs/assumptions are appropriate. • Resolve the Fixed Asset Register issues noted in this report and inconsistencies in AUC – which are not being charged MRP as per the policies adopted. • Assess the impact of not currently AUC currently delayed or being disposed off (originally acquired via borrowing). • Assess the impact of not charging MRP for loans advanced to third parties and subsidiaries for capital purpose. • Provide the workings and any advice provided by Arlingclose on the over-provision applied in 21/22 being recovered in future years. • Consider reviewing and assessing the impact of the new MRP guidance that will come into effect from 1st April 2025. In addition to the MRP policies adopted by the council being shared with members on an annual basis, management should provide greater details for members on the key inputs and assumptions driving the MRP calculations for the Council and provide the profiling of expected General Fund impact for future years and income projections from associated investments underpinned by robust projections and assumptions.	fixed) will fall so the two elements broadly balance each other out. Arlingclose have been working with the Finance team over the last few years and have reviewed our work and confirmed that our figures are correct. They are currently working on a review of MRP and linking this to the CFR and Liability benchmark.						
AF17	**Minimum Revenue Provision.**	Based on our review of the MRP from the limited information we have been provided by officers and fact we have no background information or audited prior years, there is a risk that the council's MRP				PJ/BH/EG	31/03/2025			

		is understated as it currently charges 1% of its CFR against an industry benchmark of 2%. The annuity method defers the MRP charges towards the future, therefore, they will be greater charge or burden to the Council's General Fund, and particularly if benefits from assets acquired does not materialise as projected. We have seen recent examples within the public sector of council's who have not appropriately charged MRP and the associated financial challenges this creates.								