

Appendix A – Control Deficiency Action Plan

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
1	The Council should procure IFRS versions of their PFI models to help produce the accounts. We note management's review of the PFI arrangements has taken place and significant improvements have been identified in relation to the work that supports the accounting for these arrangements. A misstatement was identified as a result of this review.	Medium	It is recommended that the Council consider separately commissioning a suitably qualified financial advisor to develop an 'IFRS' accounting model. For example, an assessment of the impact of IFRS 16 on the accounting in advance of the standard being applied to Local Government.	A review of the PFI arrangements has taken place and significant improvements made to the accounting for these arrangements. Management will consider what additional changes are required to ensure the accounting remains robust, including options on the models used.	Chief Accountant	This is will be considered as part of any changes required by the impact of IRFS16 on PFI accounting in 2024/25.
2	During the testing of the expected credit loss provision, we noted that the Council apply a specific percentage to each aged debt category in order to calculate the expected credit loss provision. The Council have not updated the percentages applied for a significant number of years and therefore there is a risk these are no longer appropriate. Additionally, the Council have not performed an assessment of these percentages for the current financial year to explain why these percentages remain appropriate for 2019/20. Under IFRS 9 which was introduced in the prior year, this assessment is a critical part of the requirements.	High	We note that the percentages are not causing a material misstatement for 2019/20, however, it is recommended that a detailed review of the methodology and judgements applied is completed to ensure they remain appropriate for 2020/21 and this is then completed on a regular basis.	Management have reviewed the percentages used in 2020/21 to ensure these are representative of the expected impact of credit losses, particularly having regard to the Covid 19 pandemic.	Chief Accountant	Management will review the percentages used in each year to ensure these are representative of the expected impact of credit losses.
3	During the testing of the expected credit loss provision, Deloitte was unable to obtain the year end report used to disclose the Housing Benefit Overpayment balance of £6.9m. We were informed that the report can only be run at a point in time and the report was not saved as at 31/03/2020. We instead obtained the report as at 30/09/2020 and noted that the value per this report was not materially different, and that the Council provides for 100% of housing benefit overpayments.	High	We appreciate this is a limitation within the finance system however it is recommended that the Council save all working papers and reports used in the financial reporting process so that the auditors can evidence the workings and test the balances accordingly.	Agreed, management will ensure controls are put in place to ensure time critical reports are run at the relevant time.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes and will include saving all reports used in the financial reporting process.
4	During the testing of schools balances, Deloitte identified that the cash, debtors and creditors for four schools which had been transformed into academies in the financial year were included in the schools balances of the financial statements despite no longer being under Council control.	Medium	It is recommended that a control is implemented to ensure that schools that are subsequently transformed into academies in the financial year are removed from the Council's account balances appropriately.	Management have introduced a revised schools consolidation process for the 2020/21 balances and transactions, which includes controls to identify schools that have converted to academies.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
5	During the testing of creditors/debtors, Deloitte were informed that the balances of various General Ledger (GL) codes are split between the categories in the creditor/debtor note for disclosure. For example, the GL code 943704 DCE Schools Balance Sheet Creditors with a year end balance of £8.5m is split between Sundry Creditors (£3.5m) and Receipts in Advance (£5m). As the balances are not material this could not lead to a material classification misstatement. However, the working papers provided to Deloitte were manually coded and no additional support could be obtained. Therefore, no evidence could be obtained to show how the GL codes had been split. We also note that the original working papers used to manually split the GL codes were not saved and therefore have been lost.	High	It is recommended that all working papers to support the values in the financial statements are saved so they can be provided to the auditors for testing. This should also be standard practice in case staff members who performed the work are absent or leave the Council preventing access to the working papers.	Agreed, management have implemented additional controls for 2020/21, including preparer and reviewer support and checks, rationale for splits etc.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.

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6	Deloitte have been unable to identify sufficient or appropriate controls in place at the Council to ensure accrued expenditure is complete. We would expect the Council to implement additional controls to mitigate the fact they do not have a common PO system. We also note that the budget management process at the Council does not mitigate this risk as we have not been able to evidence the review of the monthly budget variance reports and subsequent investigation into any variances. As part of our audit we have completed detailed testing to significant risk level sample sizes to identify any understatement of expenditure. Some errors have been identified as reported in our misstatements schedules later in this report, however they are not material.	High	It is recommended that the Council implement additional controls to ensure the completeness of accrued expenditure. This could include a manual review to check for open POs/invoices which should be accrued for, and a manual review of post year end bank statements or invoices received to check that an accrual had been raised for a sample of payments/invoices.	Deloitte recommendations opposite are now in place.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
7	Deloitte note that the valuer has not been instructed to provide land and building value apportionment for the Non Specialised Operational fixed assets. We understand that this is normally required for accounting depreciation purposes.	Medium	It is recommended that the Council instruct the valuer to provide this level of detail to ensure depreciation is recorded accurately.	The controls around PPE valuations have been strengthened for 2020/21 closedown, including providing instructions for splitting assets into components.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
8	During our PPE revaluations testing, we noted that one of the sampled items had not been revalued since 2011 and therefore has not been included in the 3 year revaluation programme. Deloitte were informed that this asset was not selected for revaluation due to the asset having previously been transferred from investment property to operational property. (The asset in question was Warminster Car Park Garages with a carrying value of £65k in the Fixed Asset Register).	Medium	It is recommended that the Council introduce a control to review items that have been transferred between asset types to determine if any of the assets should be removed or included in the revaluation programme for the financial year.	Management have implemented additional controls for 2020/21, whereby: 1. a cross check has been carried out between what was valued by the external valuers and the valuation dates in the fixed asset register, to identify assets that needed to be revalued in accordance with the Council's valuation policy; 2. the valuation dates in the fixed asset register are up to date.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
9	During the testing of the fixed asset revaluations, we understand that circa 53 properties were inspected this year by the valuers and further inspections were limited due to the restrictions imposed by Covid 19 related lockdown from late March 2020. This is understandable but in future years it would be advisable that a detailed inspection programme is undertaken and details of the inspections undertaken is confirmed in the valuation report.	Medium	It is recommended that more detailed information on the extent of the inspection of the assets valued in the year should be provided and the Council ensures that the valuer undertakes inspections of at least a representative sample of properties.	The external valuers must comply with their professional standards and inspections form part of the standards. 2019/20 was an exceptional year due to the national lockdown and for a period only essential travel was permitted. We are hoping that such restrictions do not apply for the valuation process for 2020/21.	Estates Management team	Covid restrictions impacted on the quantity of inspections that could be carried out in 2020/21. The number of inspections increased in 2021/22, and it is expected that this will be improved on again in 2022/23.
10	During our controls testing for fixed asset valuations, we have not been able to identify a control in place relating to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation. Our work in this area, in discussion with our Valuation Specialists, did not identify any significant issues.	High	It is recommended that a full review of assets not being revalued in the year based on the cyclical programme is completed to ensure that any assets with impairment indicators or potential increases in value are identified and revalued by the valuers.	A review of impairment events will be undertaken and evidenced and has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	No further action required - the revised process will be used for all future year end and accounts processes.
11	During the testing of the fixed assets valuations, we note that a number of times updated information was incorrectly sent to the valuer (such as HRA stock numbers) which caused errors in the valuations (although immaterial changes). We also noted that, similarly to last year, not all of the rent of housing stock is being set at social rental levels. The valuer confirmed that if they were provided with this information and asked to make the appropriate adjustments this would be possible in the future. We have considered the impact of this with our Valuation Specialists and not identified any material issues.	Medium	It is recommended that the Council provides the valuers with updated and accurate information, so the correct valuations are produced.	The proportion of affordable Housing stock will be kept under review to ensure that there is no material misstatement in the valuation of the overall HRA Council Dwellings.	Chief Accountant	The different types of housing stock have been identified and seperated out in 2020/21's accounts. They have been revalued seperately.

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12	<p>From our revaluations review last year and this year, we understand that the Finance team discusses with the Estates team any potential areas where impairments may apply, identifying these and forwarding to the valuer for an updated valuation to be prepared.</p> <p>We have not been able to obtain evidence to show what considerations have been made to assess and identify impairment indicators. We have not been able to understand what was considered nor obtain meeting minutes for the meeting which was recommended in the prior year.</p>	High	<p>In line with our advice last year, we would recommend that in the future the Council documents the process either in the form of minutes or an impairment review paper detailing the discussions and considerations made between the Finance team, Estates and their appointed valuer confirming all the points that are considered in their impairment review, i.e. build cost movements, changes in the property market, physical changes to the assets etc. and the actions taken to impair any relevant assets or justifications for the conclusions reached if no impairment is deemed necessary.</p>	<p>An electronic record of the assets identified to be discussed as part of the impairment review discussion between Accountancy, Estates and the external valuers is retained. The impairment review discussions will be followed up in writing confirming the formal agreement.</p> <p>Consideration of all elements that might impact the need to impair assets will be taken into account and documented every year as part of the formal recording of the agreement.</p>	Chief Accountant	<p>No further action required - the revised process will be used for all future year end and accounts processes.</p>
13	<p>During the testing of the fixed assets valuations, we noted that the Council does not have sufficient oversight of the terms of the occupational lettings. The Council is entitled to receive a set percentage of rents received from the occupational tenants of the related assets and the rent that the Council receives is subject to review every 5 years. However, the Council does not receive detailed information from the head tenant on the occupational leases and income nor a tenancy schedule and current rental information.</p> <p>We note that a similar finding was raised in the prior year in relation this lack of oversight.</p>	Medium	<p>It is recommended that the Council obtain this information which would assist in the management of the rental income received. This position applies to all ground lease investments. Accordingly we would recommend that the Council reviews what information is currently received from head tenant and pursue the position if the information is not sufficiently detailed.</p>	<p>Agreed. The Council is already taking action to address this recommendation.</p>	Estates Management team	<p>The Estates Management team have a system in place to request this each year</p>
14	<p>During the testing of the fixed assets valuations, we noted that the HRA beacons/archetype groupings are unchanged from the last year and a review of the groupings has not occurred in the last three years.</p> <p>There is a risk that the groupings are incorrect and the onus to ensure the grouping is correct is on both the Council and valuer who should consider whether changes are required.</p> <p>Through our testing we have identified an issue with incorrect groupings. This has been included in our misstatements schedule further in this report.</p>	Medium	<p>It is recommended that the Council and valuers conduct a review of archetypes to ensure these remain appropriate. We recommend this is included in the valuers report or confirmed by the Council.</p>	<p>We are not aware of any changes to the rules for grouping HRA assets since the inception of beacon/archetype groupings, and therefore we do not consider a review is required. However, we will ensure any new HRA properties are included in the correct beacons/archetype groupings, and this is checked by a senior member of the finance team.</p>	Estates Management team and Chief Accountant	<p>No further action required - the revised process is now in place</p>

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15	Throughout our audit testing of property, plant and equipment for 2019/20 and 2018/19, we have raised numerous findings in relation to fixed assets and the related account balances. We therefore note that there are significant improvements that should be made in relation to accounting procedures and policies for PPE to ensure the accuracy of the related account balances.	High	It is recommended that the Council complete a thorough review of PPE and management processes, including implementing additional controls (refer to findings raised in update report), conducting an asset verification exercise (and ensure this is conducted on a regular basis) updating the depreciation, valuation, additions and disposals policies and accounting practices to ensure these balances are recorded correctly.	Staff leaving the employment of the Council over the last couple of years together with implementing a new Asset Management system has had an impact on procedures and technical accounting processes with regard to PPE. For the 2020/21 final accounts process an external technical accounting support is being used to improve the controls and accounting treatment of PPE. A development programme is also being designed to ensure expected standards are met in future years.	Estates Management team and Chief Accountant	A significant amount of work has been done to cleanse and improve the fixed assets data. Balances and asset classes have been reviewed. The use of Asset Manager will ensure the correct accounting treatment for fixed assets and accountancy will continue to work with the services based teams to improve controls. For the 2022/23 accounts the property, plan and equipment listings from the Asset Manager system will be sent to Heads of Service to confirm that the assets are still owned and in use. Along with reviews of the general ledger, this will provide a 'belt and braces' approach to ensure all additions and depreciations are captured.
16	There were numerous errors within the first three sets of draft accounts presented for audit.	High	It is recommended that a robust review is undertaken of the accounts which are presented for audit, along with any subsequent versions of the accounts containing amendments. It is also recommended that the Council completes the CIPFA checklist as part of the closedown process, and references each requirement within the checklist to where the requirement has been satisfied within the accounts, or note that the requirement is not applicable with an explanation why. The completed checklist should then be reviewed along with the accounts prior to being presented for audit. In addition, it is also recommended that the working papers which support the balances in the accounts also undergo a review and quality assurance process in order to reduce errors in the accounts.	A detailed 2020/21 closedown timetable has been developed which includes working paper requirements [cross referenced to external audit requests] mapped to the financial statements and disclosure notes, which have a named individual responsible for completing the working paper(s). Additional control and quality assurance reviews will be implemented as part of the closedown process to ensure the accounts are presented in line with requirements. The CIPFA disclosure checklist will form part of this process and will be fully completed and reviewed prior to publication of the draft accounts and being presented for audit. This checklist will also form part of robust working papers that are being designed and implemented as part of the financial accounting improvement plan.	Chief Accountant	Additional control and quality assurance checks, as well reviewing against the CIPFA disclosure checklist will be undertaken as the 2021/22 Statement of Accounts are drafted and for all subsequent years.

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17	No listing is maintained setting out all properties subject to revaluation and when they were last revalued.	Medium	It is recommended that a listing is maintained detailing all assets subject to revaluation, along with their date of last valuation, and that this is reviewed on an annual basis to check that all assets due for a revaluation are included in the list sent to the valuers.	The Asset Management system that is used holds dates when assets were revalued. A full report will be run every year to ensure that all assets that are due for a revaluation are valued in line with the accounting policy. A check will be made to ensure that all assets are valued with appropriate frequency and there are no erroneous dates.	Chief Accountant	No further action required - the revised process is now in place
18	SAP has two types of journal access rights for finance employees; Park Access & Park and Post/Authorisation Access. Park Access allows a member of staff to prepare journals within the system which are then 'parked' until they are approved by a member of staff with Post Access. However, employees with 'Park Access' can upload an excel document with a number of journals and the journals can be automatically posted within SAP without secondary review. Employees with 'Post Access' can prepare and post journals directly into SAP, without a secondary review.	High	It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.	The Council has to consider the costs of implementing such a control as suggested, which are potentially high. Action to address the issue would include the need to reconfigure SAP and to pay to do so and prioritisation of this work considering a new system is due to be implemented during 2023/24 financial year. Wiltshire Council officers view the significance of the risk associated with potential lack of journal authorisation by a second person as minimal. From a fraud perspective, there are controls already in place in the AP and AR systems, including segregation of duties around key tasks. Journals do not actually involve expenditure or income, so the inherent risk to the Council is absolutely minimal. Regular internal audit work on our AP and AR systems have not demonstrated any risks that would need an additional authorisation to journals in the general ledger. This work provides on going evidence of the strength of controls in those systems fundamental to the Council's internal control framework. Each user of SAP has an individual ID that is registered against each transaction that the user makes. Any unusual suspicious journals are going to be	Chief Accountant	No further action required at this stage as management consider the current controls to be sufficient to address this low risk issue. The new ERP solution may resolve this issue, planned for implementation in November 2023.

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19	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings.</p> <p>On a monthly basis, budget monitoring of I&E cost centres is carried out by budget managers and a detailed narrative for any large variances should be documented. This is presented monthly to the Corporate Leadership Team (CLT) meetings and quarterly to Members.</p> <p>We have identified that, although budget monitoring occurs at the Council, the control has not been formalised appropriately. We were unable to evidence any formal review of budget variance reports by budget managers so we cannot determine what challenge or investigation is undertaken. We were informed that the threshold for budget managers to investigate variances is at their discretion.</p>	Medium	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p> <p>In addition, it is recommended that the process for budget managers to undertake a review and investigation of their budget reports is formalised and an audit trail is maintained.</p>	<p>Robust budget monitoring processes are followed on a regular basis, with high risk and volatile budgets being reviewed monthly and all budget areas at least quarterly. This process includes a review from a finance officer to ensure independent challenge is carried out. As part of an improvement action plan for finance and accountancy the implementation of a checklist for those undertaking budget monitoring processes will be designed and implemented to ensure all relevant areas are discussed and a formal note made to ensure consistency of application is evidenced.</p>	Heads of Finance	<p>A checklist is being designed currently and will be implemented during 2023-24.</p>
20	<p>We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings.</p> <p>On a quarterly basis, a report should be run directly from SAP for all journals posted during the period by journal value and by staff member who posted the journal. This report is reviewed by the Chief Accountant to identify if any journals are posted by unauthorised staff members and inconsistencies are investigated.</p> <p>As the focus of the review is on the users who are posting journals, rather than the journals themselves or their value, we have not deemed the design of this control to be effective in mitigating the management override of controls risk.</p> <p>We have also identified that no formal evidence could be provided to show that this control was implemented during the financial year and we were informed that the control did not operate consistently throughout the financial year due to the Chief Accountant leaving in August 2020 and no one else taking responsibility for this control.</p>	Medium	<p>It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval.</p>	<p>Agreed this control is set but has not been followed. The Assistant Director Finance will ensure it is fully implemented and quarterly checks carried out to support mitigation of the system process weaknesses for journal approval. Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant.</p>	Chief Accountant	<p>The balance sheet listing is sent each month to the wider accountancy team. Reconciliations are carried out in accordance with the schedule set and are reviewed by the relevant manager. This is then reviewed by the Chief Accountant. Also see the response to Observation 18.</p>

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21	We sought to identify further controls to mitigate the management override of controls risk presented by the lack of segregation of duties in journal postings. On a monthly basis, the Head of Finance (Corporate) should review each balance sheet GL code against the previous month values and investigate the reasons for any unexpected variances (including suspense accounts). We have identified that this control had not been in place since the departure of the Head of Finance (Corporate). The Chief Accountant undertook a year end full review as at 14 July 2020. We do not deem this to mitigate the risk of Management Override of Controls as there are thousands of journal postings so this control cannot be relied upon to identify incorrect journal postings.	Medium	It is recommended that segregation of duties in relation to journal postings is enforced, or an alternative control is implemented to mitigate the risk that journals can be posted by staff without approval. In addition, it is recommended that the review of balance sheet GL codes is undertaken on a monthly basis.	Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. In addition to this control, as part of the improvement plan additional internal reporting of balance sheet items is being designed so that the Assistant Director – Finance and Corporate Director of Resources have full oversight of the balance sheet monitoring alongside the revenue and capital monitoring	Chief Accountant	No further action required - this is now a monthly process Also see the response to Observation 18.
22	As part of the controls to ensure all potential liabilities are disclosed in the Financial Statements there should be a documented process for the Finance team to consult with the legal team. Whilst we understand the difficulties of doing this in the Covid-19 environment the failure to complete this process increases the risk of potential liabilities being unrecorded. Our substantive testing has not however identified any undisclosed potential liabilities.	Medium	It is recommended that a meeting takes place between the Finance Team and the Legal Team at year end and that all potential legal liabilities are discussed, with the results of this meeting minuted.	Agreed – as part of the assessment of year end liabilities the finance team will consult with the legal team and document consideration of liabilities discussed. This will ensure adequate evidence is provided of liabilities disclosed (accrual, provision or contingent liability) and those not disclosed due to not meeting the criteria for disclosure.	Chief Accountant	Any potential legal liabilities are discussed as part of the budget monitoring meeting with the Head of Finance and the Head of the legal team. As part of the year end closedown process the Chief Accountant also contacts the Head of Legal via email to ascertain the accounting requirements for all potential legal liabilities.
23	The Council did not submit the first Whole of Government Accounts return by the 30 September 2020 deadline. This was instead submitted in February 2021.	High	It is recommended that the Council introduce controls to ensure that the Whole of Government accounts return is completed, reviewed and submitted by the required deadline.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	No further action required.
24	We have identified that approximately 15% of purchases follow a purchase order (PO) process, whilst the remainder follow an alternative 'non-PO' process. We identified this by obtaining the Accounts Payable scorecard which details some KPIs for the AP team, such as time from invoice received to payment and the types of invoices being raised. This percentage in the prior year was nearer 20% so performance is declining. As a result, there is a risk that inappropriate purchases are made without a PO and authorisation. There is also a risk that year end expenditure may not be complete because purchases committed to are not yet available on the finance system.	High	It is recommended that the Council introduces a full PO process which all purchases should follow where appropriate.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance	Head of Procurement and Chief Accountant	There will always be a need for exceptions to the full PO process and the list of exceptions is being drawn together as part of the new ERP implementation. This is will reviewed again once the new ERP solution is in place to check for compliance to the control processes.

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25	We identified that the reconciliation between SAP and Asset Manager system is performed by the Chief Accountant but there is no review of this reconciliation.	High	It is recommended that the reconciliation between SAP and Asset Manager is reviewed (by someone more senior than the preparer)	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	The Chief Accountant reviewed the reconciliation that was conducted by another officer as part of the 2020/21 statement of accounts review process.
26	During our Design and Implementation (D&I) testing of controls over accrued expenditure, we identified one item for £3,060.90 where the invoice date was 01/09/2019, the Goods Received Note (GRN) date was 12/12/2019 and a delivery date (for services) on 11/12/2019, however the system showed the invoice received date as 18/06/2020. We have evidenced the invoice which related to 'on track education services' and was invoiced to the SEND Department at Wiltshire Council. We were informed that the invoice was input in the system late due to a workload issue in which the requisitioner did not have sufficient time to input the invoice into the system immediately and therefore this was input late and appeared as though the invoice was not received until after year end. The invoice was therefore input into the system 9 months after the Council had received it. This highlights a weakness in the Council's purchasing controls. Where invoices are posted late to the system there is a risk that services/goods received prior to the year end are not accrued especially where a GRN is not raised pre year end. Also, the Council will not have paid the supplier for this invoice for a significant period of time so there is a risk of reputational damage to the Council.	Medium	Whilst the amount identified in this specific instance is not significant, we have only looked at this one invoice as part of our controls testing, so there is a risk that this may be a wider issue. It is recommended that invoices are processed and paid in a timely manner and that controls are introduced to monitor this.	The implementation of a new ERP and the implementation of standard processes as part of the Evolve programme will help support compliance to the control processes. Significant change and training support is included in the programme plan to help understand and address non-compliance.	Head of Procurement and Chief Accountant	This is will reviewed again once the new ERP solution is in place and fully functioning. Vairance analysis is undertaken as part of the budget monitoring process and also again as part of the year end review and accruals assessments. This is will reviewed again once the new ERP solution is in place to check for compliance to the control processes.
not in current version of ISA260	We have not been able to identify a control in place relating to how the Council assures itself that there are no material impairments or changes in value for the assets not covered by the annual valuation.	High	It is recommended that on an annual basis the Council undertakes a review of assets not scheduled for revaluation to determine whether these are likely to be materially impaired or whether there may have been any changes in value which result in a material difference between the market value and the carrying value of the asset.	A review of impairment events will be undertaken and evidenced and has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	No further action required - the revised process is now in place
27	The reconciliation between Asset Manager and valuer's report which is prepared by the Capital Management Accountant is not reviewed by another member of staff.	High	It is recommended that the reconciliation between Asset Manager and the valuer's report is reviewed.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process.	Chief Accountant	No further action required - the revised process is now in place
28	The Council's valuer does not provide updated useful lives for the properties revalued. As a result of this there are a number of properties which have not had their useful lives updated, so there is a risk that useful lives are not accurate which may affect the depreciation charge.	Medium	It is recommended that the useful lives of fixed assets are reviewed and updated on a regular basis.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	After review between Estates and Accountancy we have agreed a revised approach to useful lives.
29	Our review of the year end bank reconciliations found evidence of preparer sign off but no evidence of reviewer sign off.	High	It is recommended that bank reconciliations are reviewed	Additional Balance sheet controls have been implemented following the appointment of a Chief Accountant and a comprehensive schedule listing balance sheet GL codes, the officer responsible for monitoring and producing reconciliation statements and the frequency of these reconciliations is maintained. This is reviewed by the Chief Accountant. Bank reconciliations form part of this listing.	Chief Accountant	No further action required - the revised process is now in place

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30	We were informed that there are a number of assets included in the disposals figure within the 2019/20 accounts which were actually disposed of in previous financial years, however were not recorded as disposals in the relevant financial statements.	High	It is recommended that the Council reviews the process in place for recording disposals in the fixed assets system, and what controls are in place to ensure that this system is kept up to date with disposals.	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process	Chief Accountant	Agreed – this has been incorporated within the agreed timetable for the 2020/21 accounts and audit process
31	The Useful Economic Lives (UELs) of infrastructure assets are impacted by various factors such as climate change, new technologies, changes in traffic volumes etc. This is something that should be kept under consideration going forward.	Low	It is recommended that the UELs of Infrastructure assets is reviewed if new technology, climate changes or changes in traffic volumes may impact the expected lives of assets.	As part of the annual assessment of UEL the Chief Accountant will liaise with the highways department to determine if technology, climate changes or changes in traffic volumes may impact the UEL of assets.	Chief Accountant	As part of the 2020/21 closedown process the Chief Accountant reviewed the UEL for infrastructure with the Highways Asset Manager. As a result new additions for the were analysed by category and specific UEL given to each rather than a weighted average which had been used in previous years.
32	We identified that assets included within the category of Infrastructure were not separately identifiable on the FAR, and instead combined into one large overall asset covering different financial years. For example, the largest asset by cost within the infrastructure category is Structural Maintenance Schemes Completed 15-16 with a cost value of £41,843,483.41.	Medium	It is recommended that infrastructure assets are recorded separately on the FAR rather than all grouped together as one asset per financial year.	Recent expenditure on infrastructure assets is already recorded separately within broad categories within the FAR i.e. roads, bridges, land drainage, major structures. The cost [i.e. staff time] of identifying assets at a more granular level than these broad categories is considered to outweigh the benefits [i.e. annual depreciation charges that better reflect the consumption of assets to support services]. Recording assets based on these broad categories will be further enhanced through the Chief Accountant liaising with the highways department to identify UEL for each of the broad categories of assets, as opposed to using an average 60 years for all categories [which is current practice]. For historic balances transferred at the time the unitary authority was formed, the information needed to allocate the spend to these broad categories is not available and therefore these will continue to held at overall totals and an average 60 UEL used.	Chief Accountant	As part of the 2020/21 closedown process the Chief Accountant reviewed the UEL for infrastructure with the Highways Asset Manager. As a result new additions for the were analysed by category and specific UEL given to each rather than a weighted average which had been used in previous years. There is an on-going discussion with the external auditor on this issue for the historical balances.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
33	A error was identified in the accounts relating to the understatement of the Monkton Park loan balance (see page 57 for the error)	High	It is recommended that a record of all loans is maintained and that this is kept up to date.	The Council has a record of all treasury management and capital loans, including this loan. However, it was being accounted for incorrectly as a PFI scheme as opposed to a loan. Management will put in place additional controls to ensure that where there are changes to loan facility agreements [i.e. in this case the contract was revised in January 2011. Therefore, only the loan associated with the capital and interest cost of building Monkton Park still has to be repaid], the advice of the Chief Accountant will be sought to ensure the proper accounting treatment is adopted'	Chief Accountant	No further action required - the revised process is now in place
34	We identified that the Council does not accrue for housing benefit payments at year end. We are satisfied that this does not significantly impact expenditure recorded in the year and that the impact on the balance sheet is immaterial.	High	It is recommended that the Council undertakes an assessment at year end to determine the potential under accrual related to housing benefit payments in order to determine whether this is material	Management will work with external auditors to agree an accepted process [have regard to cost/benefit] to determine that any potential under accrual related to housing benefit payments is not material	Chief Accountant	A review will be carried out annually to determine whether this is material on both expenditure and the balance sheet.
35	We identified that similar assets (i.e. wheelie bins) are grouped together on the FAR and accounted for as one larger asset. The accounting policies per the accounts do not explain that this takes place.	Low	It is recommended that the accounting policies are updated to make it clear in what circumstances assets may be grouped together and accounted for as one larger asset	The accounting policy for Property, Plant and Equipment [effective from 2020/21 SOA] will be updated to include the following text; 'Where there are large volumes of low value similar assets, these assets are grouped together on the fixed asset register and accounted for as one larger asset.'	Chief Accountant	No further action required - this was updated for 2020/21
36	As part of the Nil NBV asset review undertaken by the Council, it was identified that there was a balance of approximately £11m of assets with a nil NBV which were still in use, mainly relating to Vehicles, Plant and Equipment, indicating that these have been depreciated over too short of a period.	Medium	It is recommended that the Council reassesses the useful economic lives assigned to assets categorised as Vehicles, Plant and Equipment to determine whether these are accurate.	Management will put in place a process to reassess UELs before assets are fully depreciated to ensure annual depreciation is more reflective of the period the asset is in use.	Chief Accountant	No further action required - this was updated for 2020/21
37	We have noted throughout our audit a number of errors in relation to accounting for academies. We have therefore determined that there are insufficient controls in place to correctly dispose of schools that have converted into academies.	High	We recommend that additional controls are put in place to ensure that all related balances (cash, receivables etc) for academies are removed from the Council's financial systems/accounts and that the assets are subsequently disposed of from the FAR in a timely manner.	It is acknowledged that the two academy schools (previously PFI schools) were incorrectly recorded in the Council's fixed asset register ("FAR") and financial statements (i.e. balance sheet). The Council has introduced the following controls to ensure academy school transactions are appropriately reflected in the financial statements going forward: <ul style="list-style-type: none"> • An 'existence' check of all the school assets recorded on the FAR to underlying Council school records; and • Consolidation [into the financial statements] of school transactions [which remain under the 'control of the Council] using school's trial balances, which are cross reference to the Council's FAR records. 	Chief Accountant	No further action required - revised processes are now in place

	Deloitte Observation	Servery	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
38	There are no controls in place to ensure that the accounts are updated for lease arrangements.	High	It is recommended that the Council introduces appropriate controls in order to mitigate the risk that leases are entered into and the accounts are not updated for these.		Chief Accountant	Management accepts previous controls were not sufficient to ensure lease disclosures in the accounts were accurate and complete. Steps have already been taken to improve the control environment and will continue to be improved. For example; there is now a complete list of all the Council's leases, which will be maintained by finance and periodically updated for new and expired leases through liaison with service department
39	We identified a weakness in how the Council document their considerations for assessing recoverability of debtors and these could be improved.	Medium	It is recommended that a detailed review is undertaken in relation to the recoverability of debtors by type of debtor i.e. schools debtor, general debtors etc. A working paper should be produced as part of this exercise which documents the considerations applied to each type of debtor as well as what evidence there is to support those considerations based on past experience. Once the exercise has been completed and the working paper has been produced, this should be reviewed by the chief accountant or a member of the team who is suitably senior.		Chief Accountant	As per the action response to Observation 2: Management will review each year to ensure that the expected impact of credit losses is appropriate. Update: Management will consider implementing this recommendation. However, in line with the Accounting Code requirements the management will consider whether it is reasonable and there is supportable credit risk information available for the debtors without undue cost or effort. Should this not be the case management will continue to include debtors in a collective assessment with other assets with shared risk characteristics.
40	We identified that nil balances are presented inconsistently throughout the accounts. In some disclosures nil balances will be presented as '0' and in other places these are left as blanks.	Low	It is recommended that nil balances are included in the accounts rather than being shown as blanks. Alternatively, if the Council decides not to present nil balances then this decision should be applied consistently, i.e. not showing some nil balances as '0' and some as blanks	Management will consider implementing this recommendation in future years but don't consider this a high priority alongside prioritising implementation of other key recommendation.	Chief Accountant	No further action required - this will be incorporated in future years.

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
41	We identified a number of intangible assets (£4.128m) have been included within the AUC column of the PPE disclosure and then shown as a transfer out of AUC	Medium	It's recommended that intangible assets are disclosed in the intangible assets disclosure in the accounts in the first instance rather than being included within the PPE disclosure and subsequently transferred out to the intangibles disclosure.	This practice has been corrected within the 2019/20 accounts and Intangible assets [operational and AUC] are not reflected in PPE but classified separately as intangible assets on the face of the Balance Sheet and supporting disclosure note.	Chief Accountant	No further action required - revised processes are now in place Update: This has been corrected in the 2019/20 accounts.
42	We identified that the 2020/21 draft provisions note included three provisions which had been disclosed as short term provisions in the 2019/20 accounts but that the draft note was showing had not been utilised.	Medium	It is recommended that the Council reviews provisions balances and determines whether or not these are short- or long-term provisions.	From 2020/21 management will review provision balances at the balance sheet date [and based on available evidence], make a judgement on whether specific balances [i.e. insurance claims], are short or long term, and classify on the face of the Balance Sheet accordingly.	Chief Accountant	No further action required - revised processes are now in place
43	We identified errors in the prior year figures included in the cashflow statement and associated notes as well as an error in the number included for the adjustment for non cash movements in 2019/20 caused by the incorrect signs being applied to investing and financing activities. Also the first three versions of the draft accounts did not include the movement on PFI contracts for 2018/19 of £3,351k in note 41.	Low	It is recommended that the Council review their cashflow workings and presentation	The Council recognised there were issues in the presentation of the Cashflow statement and have subsequently completely restated it.	Chief Accountant	No further action required - this was updated for 2020/21
44	We have identified numerous errors throughout our audit of the financial statements for 2019/20. We have encountered issues in obtaining adequate responses to queries, technical working papers and explanations for accounting treatment and in the quality of working papers. In some instances we have identified weaknesses in the technical accounting expertise of members of the Finance Team. In addition, there was significant turnover of staff throughout the audit and a couple of external contractors have been employed. Due to being new to the Council they do not possess an in depth knowledge of the Council to be able to allow them to answer some audit questions. Ultimately, these findings indicate insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records free from material misstatement and prepare financial statements in line with IFRS and CIPFA requirements.	High	It is recommended that the Council review the finance team to identify the levels of technical accounting expertise present and identify any areas which may require further training, or where there are knowledge gaps that should be filled	Management unequivocally disagree with the following observations: - 'Due to being new to the Council they [external contractors] do not possess an in depth knowledge of the Council to be able to allow them to answer some audit questions' – there has been no occurrences where any audit questions have not been answered. - 'Ultimately, these findings indicate insufficient staff resourcing of appropriate skills and experience to keep underlying accounting records free from material misstatement'- this misses the point completely as the errors and misstatements are historic, with external resources and appointment of a new chief accountant making significant improvements. Management are already taking steps to improve the technical accounting skills of the finance team.	Chief Accountant	

	Deloitte Observation	Severity	Deloitte Recommendation	Council Response	Responsibility	Council Action Update
45	We identified during our testing of the cashflow that the Council does not have a control in place to identify grants which are received in advance, with these coded to the same place as other grants. This means it is difficult for them to identify those received in advance which are then recognised as income in the year, vs those received and recognised in year and those to be deferred. This then has implications for the ease of drafting the cashflow and recognising non-cash items etc.	High	It is recommended that the Council introduce a process to ensure the accuracy of the identification grants received in advance and code these separately, as a well as a review control to ensure the accuracy of the accounting.	Management have implemented a system to centrally record grants to improve financial reporting	Chief Accountant	
46	We identified during our testing of the cash flow statement that values had been incorrectly classified as cash items within the cashflow when they related to non-cash items, indicating the absence of an effective review control.	Medium	It is recommended that the draft cash flow is thoroughly reviewed before inclusion within the draft financial statements, to ensure that it accurately reflects cash and non-cash movements in the correct lines.	Management disagree with the observation that the classification issue was as a result of ' <i>the absence of an effective review control</i> '. The issue arose because of the method/approach taken to complete the cash flow statement. The method/approach has been changed to focus on the balance sheet movements, which has been implemented from 2019/20 accounts.	Chief Accountant	
47	All infrastructure assets are depreciated over a useful economic life (UEL) of 60 years, rather than an a UEL specific to the type of asset.	High	It is recommended that the Council apply individual UEL to categories of infrastructure assets, rather than an overall weighted average to all infrastructure in order to achieve greater accuracy in UEL and depreciation.	Management have provided Deloitte with a working paper setting out the rationale for using the 60 years UEL. Going forward from 2020/21 management will use individual UEL for different categories of infrastructure capital spend. This will be in addition to continuing to use the 60 UEL for the historic spend.	Chief Accountant	
48	We performed a reconciliation between the business rates and council tax in the CIES and the Collection Fund and additionally asked the Council to also provide us with a reconciliation. The Council's reconciliation was not detailed enough to allow us to identify items we would expect to be included as reconciling items. For example, the council tax reconciliation noted the balance per the CIES, the balance per the Collection Fund and one reconciling balance between the two of "Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements".	High	It is recommended that when the Council produces reconciliations/working papers to support the accounts that these are reviewed internally before being presented for audit. Additionally, these should be detailed enough to allow specific reconciling items to be identified so that the reviewer of the working papers is able to clearly see what the reconciling items are.	Deloitte have not discussed this observation with the finance team, and hence this is the first time that management are aware. In the absence of any discussion, management are unable to provide a response and remediation plan solely from the observation opposite	Chief Accountant	
49	Whilst we have identified a wide range of necessary improvements in control we have not reviewed all of the controls necessary for a reliable financial reporting process.	High	The Council needs to do an end-to-end critical review of the sufficiency and design of existing controls in all key areas of the financial reporting process.	Management have already implemented [from 2020/21] improvements to a number of key controls. For example, project management disciplines, balance sheet, reconciliations, separate review and sign-off of working papers, separation of duties, review of fixed asset valuations and subsequent output from FAR, quality review of draft SOA, completeness review of lease disclosures, and revised schools' consolidation process. Management will continue to review key controls and make any required amendments as considered necessary	Chief Accountant	