







Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.









Significant matter	Commentary	
Timeliness of financial reporting	<p>While the Council published draft financial statements in line with the required statutory timetable, these did not include a fully reconciled Movement in Reserve Statement. The inability of the Council to balance this statement was indicative of a number of fundamental errors within the published draft financial statements, particularly in relation to the capital and capital financing transactions.</p> <p>The significant issues and reasons for the delay in producing balanced financial statements are well documented, and have been the subject of our reports to members of this committee in both July 2018 and September 2018. The Chief Executive has also undertaken a detailed lessons learned report, which was reported to this committee in October.</p> <p>We have not sought to repeat these issues within this final AFR, instead focusing on specific recommendations that relate to the areas of testing we have undertaken on specific balances. We have also highlighted the material changes that have been made to the published draft financial statements when compared to the final set of financial statements. The latter being a specific requirement of the auditing standards.</p>	<p>Auditor view</p> <ul style="list-style-type: none"> The report of the Chief Executive includes a detailed action plan to ensure that the issues that have occurred this year are not repeated. It is key that this action plan is implemented and considered in light of the recommendations we have made as part of this AFR to ensure that all issues are addressed as part of the production of the financial statements in future years. <p>Management response</p> <ul style="list-style-type: none"> Progress on the Action Plan is being actively managed with weekly updates to CMT and monthly reports to Executive and Finance and Audit Scrutiny Committee.

Action plan

We have identified 9 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	Valuation arrangements. We identified a number of weaknesses in the arrangement over the valuation of assets. This has led to a number of material changes in the financial statements.	<p>The Council needs to ensure that it formally documents the process for valuations, and that the valuer is provided with detailed instructions for the annual valuation exercise. There should be clear working papers demonstrating that the Council has provided the valuer with all of the appropriate information and that it has considered whether the information provided back from the valuer is complete and reasonable. The Council may also wish to review the timing of these valuations, because at present valuations are undertaken at varying points in the year, making the process more complicated than we see at other similar Councils</p> <p>Management response</p> <ul style="list-style-type: none"> The information to be sought from the valuer, and timing thereof, will be considered by the Head of Finance and Principal Accountants in early December ahead of a formal instruction to the valuer being issued. The valuation process will be pro-actively monitored and shared with the Accountancy Team.
	Impairment review. There were no formal arrangements in place at the Council to demonstrate that all assets had been considered for impairment as required by the Code.	<p>The arrangements for an impairment review should be considered and documented. These arrangements should be implemented as part of the 2018/19 closedown process.</p> <p>Management response</p> <ul style="list-style-type: none"> The approach to the impairment review will be reviewed ahead of seeking information from the valuer (above). This will involve the full team and the Council's Estates Manager, and be in accordance with the Code of Practice.
	Timeliness of financial reporting	<p>The report of the Chief Executive includes a detailed action plan to ensure that the issues that have occurred this year are not repeated. It is key that this action plan is implemented and considered in light of the recommendations we have made as part of this AFR to ensure that all issues are addressed as part of the production of the financial statements in future years.</p> <p>Management response</p> <ul style="list-style-type: none"> Alongside the Action Plan, the Accountancy Team have created a detailed close down plan. In line with this, a Final Accounts Project Manager will oversee the 2018/19 Closedown process.
 Controls  High – this with finance officers during the audit who now have a much greater understanding of what is required to produce an appropriate working paper  Medium	<p>Quality and completeness of evidence provided for audit. We have previously reported to members that the quality and completeness of working papers provided to the audit team during the financial statements has not been of the standard we would expect. We have discussed this with finance officers during the audit who now have a much greater understanding of what is required to produce an appropriate working paper</p>	<p>The Head of Finance should ensure that an appropriate training programme is in place for all officers that produce working papers to support the financial statements. The training should include the features of a good working paper and a reminder that a good working paper should enable another suitably qualified professional with no prior knowledge of the authority the means upon which to re-perform the work.</p> <p>Management response</p> <ul style="list-style-type: none"> Training on the production of quality working papers for all the Accountancy Team will be provided by the Final Accounts Project Manager early in the New Year.

Action plan

Assessment	Issue and risk	Recommendations
	Pension liabilities are a key estimate in the accounts. We have reviewed the estimation technique used in determining this estimate and are satisfied with the methodology used. We have noted that officers have not evidenced any formal challenge of the assumptions used by the actuary.	<p>A working paper should be provided at year end which demonstrates how the Council has considered the work of the actuary and its reasonableness.</p> <p>Management response</p> <ul style="list-style-type: none"> This has been discussed with the Pension Fund Actuaries. An approach is planned that will enable variances to be identified, challenged, and explained.
	The accounting policies do not include a specific de minimis level for accruals of income and expenditure.	<p>Greater consideration should be given to whether more areas of the accounts would benefit from an increased reliance on estimation techniques to aid faster close.</p> <p>Management response</p> <ul style="list-style-type: none"> The accruals process will be reviewed early in 2019, ensuring all parties are clear about their responsibilities, timings, and relevant de minimis levels.
	There are a number of areas highlighted throughout the AFR where we have agreed with officers that disclosure omissions will be corrected in future years.	<p>The Head of Finance should ensure that the identified areas are actioned in future years.</p> <p>Management response</p> <ul style="list-style-type: none"> The disclosure omissions will be reviewed as part of the preparation for closedown. It should be noted that some disclosures were previously removed with the support of the auditors as part of the “de-cluttering” of the accounts. These disclosure omissions will be included in the 2018/19 Financial Statements for completeness.
	<p>Journals</p> <p>While we are satisfied that journals have not been used to override management controls, it is clear that improvements can still be made to the Council’s overall journal control process to ensure that the issues that have occurred this year do not re-occur in future years. In particular, there needs to be appropriate, and evidenced review of journals prepared by contract staff.</p>	<p>Controls around journals should be improved, particularly in relation to those prepared by contract staff.</p> <p>Management response</p> <ul style="list-style-type: none"> The Head of Finance and Principal Accountants are reviewing journal procedures to tighten controls. These new procedures and controls will be in place by January 2019 and the Internal Audit department will evaluate the effectiveness of this review and any subsequent outcomes.
	In reviewing the final set of financial statements the audit team identified a number of amendments had been made that were not in line with expectations. Officers were able to fully support these amendments however these were not material. In future, the Head of Finance might want to consider whether these type of changes are needed to the final set of financial statements, as a mechanism for further streamlining the process.	<p>In future years officers should keep a full list of any proposed changes to the draft financial statements presented for audit. This list should be reviewed by the Head of Finance, in discussion with the auditors prior to any changes being made to the ledger and final set of financial statements.</p> <p>Management response</p> <ul style="list-style-type: none"> Full controls will be implemented to ensure all proposed changes to the Statements are fully documented for discussion and agreement with the auditors.
<p>Controls</p> <ul style="list-style-type: none">  High – Significant effect on control system  Medium – Effect on control system  Low – Best practice 		