

Audit of System Controls and Financial Statements (including IFRS)

Torbay Council

Audit 2010/11

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Contents

Summary report	2
Introduction	2
Audit approach.....	2
Main conclusions	4
Detailed findings	5
Pre-Statements Audit.....	5
Post Statements Audit.	9
International Standards on Financial Reporting (IFRS)	12
Appendix 1 Action Plan	13
Appendix 2 – Amendments to the draft financial statements.....	18
Appendix 3 – Unadjusted misstatements to the financial statements.....	22
Appendix 4 - Follow-up of 2009/10 recommendations on systems	24

Summary report

Introduction

- 1 Our principal objective as the appointed auditor of Torbay Council is to carry out an audit that meets the Audit Commission's Code of Audit Practice.
- 2 This report sets out how we have achieved this objective and brings to your attention the findings from
 - our review of the Council's key system controls
 - our audit of the financial statements and the Whole of Government Accounts return, and
 - our work on the implementation and reporting of the Council's first time adoption of the International Financial Reporting Standards (IFRS).

Audit approach

- 3 Our audit approach is designed to comply with the requirements of the International Standards on Auditing, as they apply to the United Kingdom and Ireland (ISA UK&I). The approach we take focuses on areas of greatest risk, where errors would lead to material misstatements, and evaluates the adequacy of the Council's own arrangements to address the risk.
- 4 The audit is divided into two main stages: Pre-statements and post-statements as set out below in Table 1.
- 5 In 2010/11 local authorities were required to prepare financial statements under International Financial Reporting Standards (IFRS). In response to this we reviewed the Council's arrangements for the first time adoption of the new standards as part of the pre statements audit and substantively tested the Council's reporting against IFRS as part of our post statement audit.

Table 1: **Details of work covered at pre and post statements**

The table sets out the work undertaken at the two main stages of this audit

Audit area	Details of work covered
Pre-statement testing	We have undertaken audit procedures to ensure that the Council has adequately designed and operated information systems (including financial systems) to enable it to prepare financial statements free from material misstatement.

Audit area	Details of work covered
	<p>We have identified the following information systems as those giving rise to material entries in the Council's financial statements.</p> <ul style="list-style-type: none"> ■ Financial ledger ■ Payroll ■ Debtors ■ Creditors ■ Cash ■ Council Tax ■ NNDR ■ Housing Benefits ■ Treasury Management ■ Social Services (Children) ■ Asset management ■ Schools (SIMS) ■ Supporting People <p>At this stage of the audit our objective has been to ensure that we have assurance over the key controls within each of these systems.</p> <p>Where we identified limited assurances we designed substantive testing to be undertaken at the post statements audit.</p>
Pre Statements IFRS Arrangements	We undertook a review of the Council's arrangements for the implementation of IFRS.
Post-statement testing	<p>We undertook substantive testing of</p> <ul style="list-style-type: none"> ■ the material figures in the Financial Statements to ensure that they present fairly the Council's position at the year-end date. ■ the systems in which we identified limited assurances at our pre statements audit ■ the 2010/11 balances impacted by IFRS and the restated 31/3/10 and 1/4/09 balances.

6 Our pre-statement testing is designed to comply with the requirements of ISA (UK&I) 315 (Understanding the Entity) and throughout all of the work we are mindful of the requirements of ISA (UK&I) 240 (The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements).

7 This report covers all elements identified in Table 1 above.

Main conclusions

Systems

8 The Council has appropriate systems and controls in place to ensure that materially correct financial statements are produced. Accounting processes and governance arrangements are generally sufficiently robust to safeguard the assets of the Council and support effective production of the financial statements.

9 However, we have identified control weaknesses in a number of systems including Payroll, schools' finance, debtors, creditors, main accounting, adult social care, NNDR and IT.

10 These weaknesses should be addressed, as outlined in our action plan, as a matter of priority.

Accounts

11 We reviewed and agreed the Council's arrangements for the implementation of and reporting of IFRS.

12 Our review of the financial statements was completed satisfactorily and we issued an unqualified audit opinion on 30 September 2011.

13 A higher number of errors and mis-statements than usual were identified in the draft statements - largely attributable to the change to IFRS. Adjusted and unadjusted mis-statements are summarised at Appendices 2 and 3 respectively.

14 Recommendations in the body of this report identify a number of areas which should be strengthened for future years, including the need for better Quality Assurance arrangements.

15 All our recommendations are brought together in the action plan at Appendix 1.

Acknowledgement

16 Our thanks are due to all the officers who assisted us in the course of the audit.

Detailed findings

Pre-Statements Audit

17 Our overall conclusion is that the Council has appropriate systems and controls in place to ensure that materially correct financial statements are produced. Accounting processes and governance arrangements are sufficiently robust to safeguard the assets of the Council and support effective production of the financial statements.

18 There are a number of areas where further improvements can be made to enhance and develop existing controls and systems. Our key findings are summarised below. We have previously shared these with management following completion of the work earlier in the audit

19 We note that five of these issues were also reported to you in our 2009/10 interim report. A updated copy of the 2009/10 interim report action plan has been included at appendix 4.

Payroll

20 In our 2009/10 audit report we recommended payroll reports should be sent to department heads on a monthly basis for review and agreement. We have identified that this process has not been undertaken monthly in 2010/11, as agreed.

21 We discussed this again with management in the year, and as a consequence payroll reports were sent to all budget holders at year end. The process, which had a full response rate, identified a number of issues. This included two employees, who had left the Council but still continued to be paid: One being paid salary and the other being paid essential car user allowance. The Council have initiated recovery action against both individuals.

22 These errors highlighted the requirement for this exercise to be undertaken on a regular basis. This would prevent any future losses or embarrassment to the Council.

23 We also reported in 2009/10 that there was no authorised signatory list in operation in the payroll department. This list would enable payroll staff to check the signatories of officers approving changes to payroll, to confirm that they are authorised to do so. Our audit has identified that this list has still not been established.

Recommendation

- R1** Payroll reports, detailing employees and salaries paid, should be sent to department heads for review and agreement on a regular basis
- R2** The Council should ensure that an authorised signatory list is established and used in the payroll department when inputting changes to payroll
-

Schools Finance

24 We have reported in previous year's audits that the schools finance team did not perform regular reconciliations between local payment schools bank balances and the general ledger. Furthermore, we have identified unreconciled amounts in both the 09/10 and 08/09 financial statements audits.

25 The schools finance team did not perform regular reconciliations again in 2010/11. However, they have managed to fully reconcile the local payment schools bank balances and the general ledger at the year end.

Recommendation

- R3** The schools finance team should ensure that reconciliations between local payment schools bank balances and the general ledger are performed on a regular basis.
-

Debtors

26 In 2009/10 we reported to you that numerous officers can raise debtor invoices within the Council, and these are not subject to review or authorisation. The lack of adequate review could result in inaccurate or inappropriate invoices being raised. The Council accepted this risk, and cited a mitigating control, being a report sent to budget holders for all debts raised over £5k.

27 We reviewed this control in 2010/11 but, could not rely upon it as there was no evidence that budget holders actually review and acknowledge these reports.

28 To address this risk Internal Audit have substantively tested a sample of income recorded through the sundry debtors system. We reviewed the results of this testing as part of our post statements audit and agreed that debtors had been accurately and appropriately raised.

Recommendation

R4 Invoices raised by departmental users should be reviewed and authorised.

R5 The report sent to budget holders covering all debts raised over £5k should be reviewed and this review should be evidenced.

Creditors

29 Our review of the creditors system identified the following two issues:

- A BACS and cheque proposed payment listing is generated prior to any creditor payment being made. The officer making the payment checks this list but this is not independently reviewed by a second person.
- We reported in 2009/10 that the authorised signatory list held within the creditors section had not been adequately updated. This prevented the effective checking of the authorisation of manual payments. Our audit has identified that this list has still not been updated.

Recommendation

R6 The BACS and cheque proposed payment listing should be independently reviewed by a second person prior to payment.

R7 The authorised signatory list held within the Creditors section should be updated and all manual payments should be checked against this to ensure that they have been appropriately authorised.

Main Accounting System

30 Our review of the main accounting system identified that journal controls are weak. Journals can be raised by anyone in the finance team and there are no limits on the value raised. Further to this there is no hierarchical system for reviewing and authorising journals.

31 To address this we have tested 20 journals during the year and all year-end material journals and have confirmed that all tested were correctly and appropriately raised.

Recommendation

R8 The Council should review their journal controls to ensure that all journals are correctly and appropriately raised.

Adult Social Care

32 The Council has provided £43.5 million of funding to the adult social care pooled budget operated in partnership with Torbay Care Trust. The pooled budget expenditure is classified under three headings:

- Health Commissioned Budgets - with overspends being a 100% Care Trust responsibility
- Pooled Provider Budgets – with overspends being a shared equally between the Care Trust and Council and
- Social Care Commissioned Budgets – with overspends being a 100% Council responsibility

33 The Care Trust have provided assurance that the financial systems used to record this expenditure have operated effectively in 2010/11. However, the Council has not requested or received assurance that the expenditure has been correctly classified within the pooled budget. This assurance is required to enable the Council to conclude that it is not funding non-council expenditure, and that the host partner is not either intentionally manipulating expenditure to achieve financial targets, or unintentionally misstating expenditure, through error.

Recommendation

R9 The Council should ensure it has adequate assurance that expenditure disclosed within the pooled budget is correctly classified.

NNDR

34 The NNDR system has been reviewed as part of our systems work and also as part of the NNDR 3 grant claim work. We have identified that:

- the granting of charitable status to ratepayers is not subject to regular review. Charities could change ownership or charitable status which could end entitlement to mandatory relief. A cyclical review programme would address this risk
- the inspection of empty properties to ensure that they were still eligible for Empty Premises Relief was not adequate, or formalised.

35 Although, the controls over charitable relief and empty properties are not formalised, all properties sampled under these areas were agreed as being eligible for mandatory relief. The NNDR 3 was certified without qualification on 21st September 2011.

Recommendation

R10 NNDR properties granted charitable relief should be subject to cyclical review.

R11 There should be a formalised review of the continuing eligibility of NNDR ratepayers granted empty properties relief.

IT Risk Assessment (ITRA)

36 We have undertaken a IT risk assessment in 2010/11. Overall we found that the IT controls within the Council operated effectively.

We noted, however, that Internal Audit have reviewed a number of areas as part of their 2009/10 and 2010/11 IT audit plans and have made several recommendations. We understand that ICT is implementing the recommendations and these will be subject to review by Internal Audit.

37 We also identified that the Council does not have a specific End User Computing Policy. The policy should cover small scale office-system developments by user departments, and should include checking/evidencing arrangements for ensuring the integrity of these systems e.g. spreadsheets used by the Finance Department as part of the financial reporting process.

Recommendation

R12 The Council should develop an end user computing policy - including checking/evidencing arrangements for (eg) spreadsheets which are used to prepare material figures in the accounts.

Post Statements Audit.

Financial Statements

38 The draft financial statements for 2010/11 were authorised for issue by the S151 Officer on 30 June 2011, and we completed our audit and issued an unqualified audit opinion on 30 September 2011.

39 We reported our most significant audit findings to the Audit Committee on 20th September 2011 in our Annual Governance Report.

40 A higher number of errors and mis-statements than usual were identified in the draft statements - largely attributable to the change to IFRS. The more significant adjusted and unadjusted mis-statements are summarised at Appendices 2 and 3 respectively. However, there were also a significant number of changes in wording required and typographical errors corrected.

Annual Governance Statement

41 We reviewed the Council's annual governance statement and confirmed it was generally consistent with our knowledge of the Council and compliant with the relevant guidance.

42 We have identified some areas where this can be strengthened and reported the main issues in our annual governance report. The annual governance statement has been amended for these matters.

Whole of Government Accounts

43 We completed our audit of the Whole of Government Accounts return on 30 September 2011, agreed amendments with the Council, and submitted this to the Department for Communities and Local Government to meet their deadline. There are no issues to bring to your attention.

Quality of the draft accounts.

44 A significant number of amendments were agreed and made to the draft accounts. The areas where the main changes occurred were:

- Annual governance statement compliance and consistency issues (as above)
- Foreword and notes to the accounts – minor errors, omissions, non compliance with the Code and inconsistencies
- Typing errors and incorrect cross references etc

Recommendation

R13 Quality Assurance arrangements should be put in place to ensure that accounts presented for audit do not contain errors.

Quality of working papers

45 IFRS implementation has been very demanding and this has impacted upon the quality of working papers. A number were only constructed at the audit when requested and others did not agree to figures in the statements.

Recommendation

R14 The Council should review the process for completing and providing the working papers required for audit, to ensure that they are fit for purpose.

Related parties transactions

46 The related parties note disclosing the interests of two members and two officers did not contain sufficient information to comply with the Code. This was amended to include a description of the nature of the related party relationships and the amounts involved.

47 Our review of the completeness of related party transactions and, in particular, members' interests identified some member interests that had not been declared.

Recommendation

R15 The council should review the process for collecting and disclosing details of members' interests to ensure that it obtains and fully reports all relevant interests.

Valuation reporting

48 The valuation practice did not accord with the CIPFA code for valuations. The Asset Management Team in Torbay Development Agency undertake valuations of the Council's properties on the basis of instructions issued by the Council. We reviewed the valuation report and identified that it did not meet the requirements of the CIPFA code. The report did not include:

- the valuer's estimate of the remaining useful life of individual properties,
- the valuer's proposed strategy for the rolling programme of valuation reviews,
- the arrangements for implementing the rolling programme, or proposals for carrying out additional ad hoc valuations.

49 The remaining useful life of individual assets has been identified and entered directly by the asset registrar. These were agreed as part of our sample testing and we concluded that these have been properly recorded on the asset register.

Recommendation

R16 Future arrangements should be strengthened to ensure that valuation reports received from the Council valuer meet the requirements of the CIPFA Code.

Bad debt provisions

50 The process for setting provisions should be more evidence-based. The provision for bad debts for Council Tax and NNDR are set at 75% and 50% of outstanding debt respectively. This is not best practice.

Recommendation

R17 The Council should improve the evidence base for its Council Tax and NNDR bad debt provisions, using, for example, aged debt analysis to assess the adequacy of provisions.

Related Companies

51 The Council have disclosed the profit and loss accounts and balance sheets of their related companies in the financial statements. In each case

the Council have based their share of net expenditure after corporation tax. However, the Council is not subject to any obligation in respect of corporation tax.

52 Further to this the profit and loss account and balance sheet disclosed for the largest related company, ToR2, was based on the companies draft unaudited statements.

Recommendation

R18 The Council should review the treatment of corporation tax when accounting for its related companies.

R19 Closedown arrangements should be updated to ensure that audited related company accounts are received on a timely basis to ensure inclusion within the Council's accounts.

International Standards on Financial Reporting (IFRS)

53 The Council were required to implement new International Financial Reporting Standards in 2010/11.

54 At the pre-statement stage of the audit we reviewed and agreed the Council's plans for implementing and accounting for the new Standards and liaised with the Council's finance team to review and agree the principles that had been applied in adopting IFRS for the 2010/11 accounts.

55 At the post statements stage of the audit we carried out audit procedures to agree that the Council have made appropriate and materially correct disclosures. We agreed that these disclosures were in accordance with adopted accounting policies and the requirements of the Code and IFRS.

Appendix 1 Action Plan

Recommendations

Recommendation 1 - Payroll

Payroll reports, detailing employees and salaries paid, should be sent to department heads for review and agreement on a regular basis

Responsibility	Mark Bennett
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Priority	H
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Date	September 2011
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Comments	Accepted: Exercise planned to be done on a quarterly basis
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Recommendation 2 - Payroll

The Council should ensure that an authorised signatory list is established and used in the payroll department when inputting changes to payroll

Responsibility	Mark Bennett
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Priority	H
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Date	October 2011
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Comments	Accepted: Review being undertaken
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Recommendation 3 - Schools' finances

The schools finance team should ensure that reconciliations between local payment schools bank balances and the general ledger are performed on a regular basis.

Responsibility	Lisa Finn
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Priority	M
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Date	Ongoing
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Comments	Accepted. Frequency of reconciliation depends on resources available
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Recommendation 4 - Debtors

Invoices raised by departmental users should be reviewed and authorised.

Responsibility	Lorraine Woolcock
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Priority	M
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Date	March 2012
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Comments	Management accept the low risk for not having a separate authoriser when raising debtor accounts. Credit notes do have a separate authoriser.
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Recommendation 5 - Debtors

The report sent to budget holders covering all debts raised over £5k should be reviewed and this review should be evidenced.

Responsibility	Lorraine Woolcock
Priority	H
Date	Ongoing
Comments	Noted: Report sent to budget holders on a weekly basis.

Recommendation 6 - Creditors

The BACS and cheque proposed payment listing should be independently reviewed by a second person prior to payment.

Responsibility	Lorraine Woolcock
Priority	H
Date	Ongoing
Comments	Council will review this audit point with external auditor to discuss appropriate controls.

Recommendation 7 - Creditors

The authorised signatory list held within the Creditors section should be updated and all manual payments should be checked against this to ensure that they have been appropriately authorised.

Responsibility	Lorraine Woolcock
Priority	H
Date	Sept 2010
Comments	Accepted: The manual authorised signatory list has been replaced by an automated POP authorisation list which is 'live' on the system.

Recommendation 8 - Main accounting

The Council should review their journal controls to ensure that all journals are correctly and appropriately raised.

Responsibility	Martin Phillips
Priority	M
Date	May 2011
Comments	Journals are now authorised by the relevant finance team, instead of the Systems team.

Recommendation 9 - Adult social care

The Council should ensure it has adequate assurance that expenditure disclosed within the pooled budget is correctly classified.

Responsibility	Martin Phillips
Priority	H
Date	December 2012
Comments	Accepted: Agreement on Council access to Care Trust Records to be agreed with Care Trust.

Recommendation 10 - NNDR

NNDR properties granted charitable relief should be subject to cyclical review.

Responsibility	Ian Westwood
Priority	M
Date	September 2011
Comments	Accepted: Review carried out September 2011 will be reviewed on a bi-annual basis

Recommendation 11 - NNDR

There should be a formalised review of the continuing eligibility of NNDR ratepayers granted empty properties relief.

Responsibility	Ian Westwood
Priority	M
Date	December 2011
Comments	Accepted. There is joint working with Torbay Town Centre Co which reviews 1/3 of the total relief given. A review of the remainder will be actioned when resources are available.

Recommendation 12 - End user computing policy

The Council should develop an end user computing policy -including checking/evidencing arrangements for (eg) spreadsheets which are used to prepare material figures in the accounts.

Responsibility	Paul Looby
Priority	M
Date	Ongoing
Comments	Process for identifying and reviewing key spreadsheets/databases etc to be established

Recommendation 13 - Quality assurance

Quality Assurance arrangements should be put in place to ensure that accounts presented for audit do not contain errors.

Responsibility	Martin Phillips
Priority	M
Date	June 2012
Comments	Accepted: As identified by the auditor a higher number of mis-statements than usual were attributed to IFRS. QA review included in Statement of Accounts timetable.

Recommendation 14 - Working papers

The Council should review the process for completing and providing the working papers required for audit, to ensure that they are fit for purpose.

Responsibility	Martin Phillips
Priority	M
Date	June 2012
Comments	Accepted: As noted by the auditor IFRS implementation impacted on the quality of working papers. The Council will work with external auditor to identify key working papers.

Recommendation 15 - Related party transactions

The council should review the process for collecting and disclosing details of members' interests to ensure that it obtains and fully reports all relevant interests.

Responsibility	Martin Phillips
Priority	M
Date	November 2011
Comments	Accepted: Meeting to be held with Democratic Services Manager to improve completeness of member declarations

Recommendation 16 - Valuation reporting

Future arrangements should be strengthened to ensure that valuation reports received from the Council valuer meet the requirements of the CIPFA Code.

Responsibility	Martin Phillips
Priority	M
Date	October 2011
Comments	Accepted: Meeting held with valuer to clarify valuation requirements and to enhance report from the valuer.

Recommendation 17 - Bad debt provisions

The Council should improve the evidence base for its Council Tax and NNDR bad debt provisions, using, for example, aged debt analysis to assess the adequacy of provisions.

Responsibility	Martin Phillips
Priority	M
Date	October 2011
Comments	Accepted: Meeting held with Exchequer to consider enhanced reporting on NNDR and Council Tax outstanding debt

Recommendation 18 - Related companies

The Council should review the treatment of corporation tax when accounting for its related companies.

Responsibility	Martin Phillips
Priority	M
Date	November 2011
Comments	Council doesn't consider there is an issue here. But will review and clarify this issue during the 2011/12 closedown.

Recommendation 19 - Related companies

Closedown arrangements should be updated to ensure that audited related company accounts are received on a timely basis to ensure inclusion within the Council's accounts.

Responsibility	Martin Phillips
Priority	H
Date	December 2012
Comments	Accepted – closedown timetable updated to ensure related companies are fully aware of the Council's requirement to include

Appendix 2 – Amendments to the draft financial statements

We identified the following misstatements during the audit and these have adjusted the financial statements.

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Reduction in pension liability (CIES)	The £28 million reduction in pension liability arising from the government's announcement that pension increases will be linked to the (lower) CPI index rather than the RPI should be shown as Exceptional in the CIES. This was originally shown under Non Distributed Costs in the CIES. There is no overall impact on cost of services.	28,000	28,000		

		Comprehensive income and expenditure statement	Balance sheet	
Pension liability estimates (Note 4)	A note explaining the estimation uncertainty will be added for clarity		N/A	
Property, plant and equipment – Infrastructure (Balance sheet)	De-recognition of £757k of capital expenditure relating to the South Devon Link Road was incorrectly shown within the 'Other Movements in Cost or Valuation' line, rather than under 'De-recognition on Disposal', in Note 12.		Affects note 12 only	
Revaluation reserve (Balance sheet and note 26)	The revaluation reserve contains 2 incorrect entries: The surplus/deficit on revaluation included should be (£0.7m), originally, due to typo, shown as £0.7m, and the difference between fair value and historical cost on depreciation should be (£0.7m) rather than £0.7m. The year end value should be £31.4m (£32.8m)		1400	1400

**Comprehensive income and
expenditure statement**

Balance sheet

shown in the statements).

Council tax debtors (Note 21)	Council tax debtors are misstated: Debtors are described as including Liability orders and are incorrectly shown gross of other precepting authorities £500k. The net effect is £200k and 'Other entities and individuals should be increased by this amount. Total debtors are correct.			Affects Note 21 only
Collection fund	The distribution of the 2009/10 surplus has been shown double counted within the collection fund. This has resulted in a £700k misstatement in the year end surplus.			Affects collection fund only
Adjustments between accounting basis and funding basis under regulations 2010/11(Note 7)	Adjustments involving the Capital Adjustment Account - A new separate line should be included for			Affects disclosure only

**Comprehensive income and
expenditure statement**

Balance sheet

capital grants and contributions applied £4.7m – originally included elsewhere in this note.

Adjustments between accounting basis and funding basis under regulations 2009/10 (Note 7)

Audit of the 2009/10 material balances in this note identified a £5.4m disclosure error which impacts upon 3 entries in the note.

Affects disclosure only

Cash Flow Statement

£9m of grant income has been included in the investing and financing adjustment lines (following contradictory advice from CIPFA) The opposite entry is in adjustments for non-cash movements. The overall net decrease in cash and cash equivalents is not affected.

Affects cash flow only

Dedicated schools grant (Note 37)

The total final DSG shown is misstated – it includes £2.1m grant relating to academies. The value should be £71.1m

Affects Note 37 only

Appendix 3 – Unadjusted misstatements to the financial statements

We identified the following misstatements during the audit, but management has not adjusted the financial statements.

Management have provided an explanation of decision not to amend in the representation letter.

Unadjusted misstatement	Nature of required adjustment	Comprehensive income and expenditure statement		Balance sheet	
		Dr £000s	Cr £000s	Dr £000s	Cr £000s
Property, plant and equipment – Land and buildings (Balance sheet)	7 pieces of land and property with a value of £218k have been included in the asset register and balance sheet where the Council does not have title				218
Property, plant and equipment – Land and buildings (Balance sheet)	The ledger balance does not reconcile to the asset register. The former exceeds the latter by £80k				80

**Comprehensive income and
expenditure statement****Balance sheet**

Ellacombe school
(Balance sheet)

Ellacombe school has been leased for 99 years at a notional £5 pa since 1932. The school is included in the Council's asset register at a gross value of £2.2m. The lease is disclosed as an operating lease and therefore the school should not be included on the balance sheet.

The Council plans to review and sort out this anomaly in 2011/12.

2,000

Appendix 4 - Follow-up of 2009/10 recommendations on systems

We raised a number of recommendations to improve controls within systems in our 2009/10. These were all agreed or noted by officers. The table below shows the recommendations made, our 2009/10 comments and our conclusion as to whether these risks have been

Recommendation	Priority 1 = Low 2 = Med 3 = High	Agreed	Comments	Cleared
R1 Regular payroll reports should be distributed to budget holders. Budget holders should be asked to review and confirm the accuracy and completeness of the report.	3	Agreed	A regular report has been distributed to commissioners and executive heads	No, see recommendation 1 of this report.
R2 An authorised signatory list should be established for all main systems and used to by Payroll to check to ensure that requests made have been appropriately authorised.	3	Agreed	A signatory list has been developed for schools and 100% of input is being checked. A signatory list for core council (applicable to all main Council systems) is being developed in conjunction with Finance.	No, see recommendation 2 of this report.

Recommendation	Priority 1 = Low 2 = Med 3 = High	Agreed	Comments	Cleared
R3 The input and output checks performed by staff during the processing of the pay run should be subject to independent review.	3	Agreed	The pay run form has been amended to include an overall review and sign off by a senior payroll officer. This ensures all the relevant stages have been completed by the payroll team.	Yes
R4 The authorised signatory list held within the Creditors section should be updated and all manual payments should be checked against this to ensure that they have been appropriately authorised.	3	Agreed	Payments of 10K or more are now always checked for authorised signatories – Management have accepted the risks currently for transactions under this amount but are working on the introduction of an automated process to replace all manual certifications and will include system authorisation.	No, see recommendation 7 of this report.
R5 Controls covering manual invoice payments should be reviewed to ensure that payments are not made until the Council have confirmation that the goods or services have been received.	3	Agreed	The controls covering manual invoice payments include do checks on the authorisation and the goods received/work done box. The example found was Human Error by a temporary member of staff who had been trained to check for this – it has been noted to stress this point when training staff in future.	Yes.
R6 Invoices raised by departmental users should be reviewed and authorised.	3	noted	Accepted risk due to availability of debtor information already available and a	No, see recommendation 4 of this report.

Recommendation	Priority 1 = Low 2 = Med 3 = High	Agreed	Comments	Cleared
			budget, report is sent to budget holders of all debts raised over £5k.	Note - We agreed that reports covering all debts raised over £5k are sent to budget holders. However, there is no evidence that budget holders actually review and acknowledge these reports.
R7 The Council should review the current arrangements for debt monitoring and chasing.	2	Agreed	Now issue best practice emails quarterly and ask departments to contact debtor's directly depending on level & type of debt.	Yes, agreed that this is an ongoing review. We concluded that year end debt was not material in 2010/11.
R8 The Council should implement stronger controls to ensure that new clients are appropriately set up and that provider confirmations for existing clients are checked for accuracy.	2	Agreed	Numbers of Hub referrals by service to be reconciled with numbers entering service reported by provider on client record forms. Housing benefit to check those entering subsidy services are in receipt of housing benefit, & continue to be, on a monthly basis. A sample of service users will be interviewed at annual review	Yes.
R9 The Council should ensure that change control procedures are	3	Agreed by internal IT	The new processes are being developed for the IT01 change form. The system	Yes

Recommendation	Priority 1 = Low 2 = Med 3 = High	Agreed	Comments	Cleared
implemented and that these are supported by a formal request and approval for the change document.		auditor	should be completed 4th Qtr 2010	
R10 The Council should ensure it has adequate assurances over the financial systems that Torbay Care Trust use to process social care expenditure.	3	Agreed	TCT Internal Audit reports on systems are now received and reviewed by EH Finance.	Yes
R11 The Council should ensure it has adequate assurance that expenditure disclosed within the pooled budget is correctly classified.	3	Agreed	In addition to the TCT Internal Audit reports on systems. This issue will continue to be discussed with TCT to ensure suitable assurance.	No, see recommendation 9 of this report.
R12 The Council should ensure that it liaises effectively with the Care Trust to share knowledge on proven and potential cases of fraud and corruption.	3	Agreed	This issue will continue be discussed with TCT to ensure suitable assurance.	Yes
R13 Officers should continue to progress the implementation of IFRS in accordance with the agreed project plan and guidance from CIPFA. Progress should be regularly reported to and reviewed by the Audit Committee..	2	Agreed	As IFRS implementation timetable	Yes

