

Audit Finding Report 2024/25 Action Plan

11 Recommendations were given in the audit findings report.

Recommendations / Management Responses	Action Taken
<p>To ensure robust and effective financial reporting, we recommend strengthening the financial statement review and closedown controls to ensure:</p> <p>(1) IAS 19 entries are accurately recorded in the ledger.</p> <p>(2) Opening balances are properly reconciled with the prior year's closing figures.</p> <p>(3) The collection fund account and the fixed asset register are correctly reconciled with the general ledger and the financial statements.</p> <p>(4) Internal recharges are reconciled in a timely manner to ensure a nil impact on the Comprehensive Income and Expenditure Statement (CIES).</p> <p>Management response</p> <p>Agreed - management will review the procedures in respect of financial statement review and closedown controls to mitigate this issue.</p>	<ol style="list-style-type: none"> 1. Process reviewed and amended; training of staff responsible for this area has been provided to ensure the transactions are recorded correctly. 2. A process is being implemented to reconcile the closing and opening balances. The financial year will be 'closed' once the final adjustments have been made, accounts audited and signed off by audit committee. 3. As per previous item, a process is being implemented to reconcile to the GL and Financial Statements. The Collection Fund account year end work is being undertaken by LG Futures with Finance Staff working with them. Part of this work is training finance staff to ensure that this year end work can be delivered internally going forward. The fixed asset register part is picked up in recommendation 3 below. 4. A process is being implemented, which is a quarterly reconciliation in respect on internal recharges this will ensure that there is no impact on the CIES.
<p>The Council should ensure that regular and robust payroll reconciliations are prepared between the general ledger and payroll system and that a detailed year end reconciliation exercise is performed to provide assurance over the amounts reported in the financial statements.</p> <p>Management response</p> <p>Agreed - a review of the monthly and year end reconciliation procedures for this area will be undertaken and updated as required.</p>	<p>Reconciliations that are in place are being reviewed, updated and where applicable new reconciliations added to ensure that assurance is gained over the amounts included in the financial statements.</p> <p>Reports will be saved in order that the evidence required by the external auditors can be provided when requested.</p>
<p>Management has agreed to update the fixed asset register to align with the general ledger. However, since this can have a material impact on PPE reporting in subsequent periods, we recommend that management increases attention to the fixed asset register review and ensures periodic reconciliation with the general ledger.</p> <p>Management response</p> <p>Agreed, we will introduce regular reconciliations between fixed assets and the general ledger.</p>	<p>Fixed Asset register is updated annually with in year transactions. Asset revaluations are completed annually. Therefore a reconciliation can only be completed when the register has been updated.</p> <p>The reconciliation that will be completed at year end will be reviewed ensuring it is fit for purpose. The task of reconciling the FAR to the general ledger will be included in the year end timetable that the Finance Team work to.</p>

<p>We recommend that management keeps its PFI model under regular review and ensure these are updated to reflect current economic indicators, ensuring reliable figures for preparing the accounts.</p> <p>Management response</p> <p>Agreed – A regular review of the model will be undertaken and will be updated as required.</p>	<p>The model has been reviewed as part of the 2023/24 closure of accounts and the inflation and indexation models are up to date. The model will be reviewed as a minimum on a half yearly basis.</p>
<p>We recommend that the Council complies with the CIPFA Code (for consolidation purposes) to ensure its subsidiary assets are periodically revalued to support any necessary consolidation adjustments required in the financial statements.</p> <p>Management response</p> <p>Agreed - We will ensure that a check is undertaken to confirm that the balances of housing properties held in the Torbay Council group accounts are held at their fair value, as per the CIPFA code. A number of these properties were transferred to Torbay Council ownership since the year-end, and as such adjustments relating to these properties will not form a part of the consolidation adjustments, rather part of the annual revaluation of Torbay Council assets.</p>	<p>The exercise of ensuring that the subsidiary assets are periodically revalued will be included as part of the 2024/25 year end process.</p>
<p>We recommend that management communicate their accounting treatment with the actuary to ensure consistent reporting of IAS 19 disclosures.</p> <p>Management response</p> <p>Agreed - We will ensure expectations of the basis of preparation of the IAS19 reports are clear from the outset and plan to resolve any unexpected differences to our proposed accounting treatment in advance of the audit.</p>	<p>As per the management response, the accounting treatment will be clearly communicated to the actuary as part of the closure of accounts.</p> <p>Year end procedures will be updated to ensure that staff undertaking this work are clear on what needs to be communicated to the actuary.</p>
<p>We would recommend that manual journal access within FIMS should be reduced to only those where it is required for their job role.</p> <p>Management response</p> <p>Agreed – Officers who are able to process journals will be reviewed and access restricted to key finance staff.</p>	<p>The key Finance staff who require manual journal access have been identified and access rights will be removed from all users who do not fit the criteria.</p> <p>Key finance staff are the Corporate Finance and Finance Business Partnering teams. An exercise is being undertaken to identify staff who are not part of Finance but may require journal access.</p>
<p>We recommend that they follow the guidance provided in IAS 16 and the CIPFA code for depreciating additions during the year.</p> <p>Management response</p> <p>Agreed</p>	<p>The guidance as been reviewed and the policy on depreciation amended as required.</p> <p>The policy change has meant that depreciation will be charged in the year of acquisition and from 2024/25 depreciation will be charged on enhancement spend.</p>

<p>We recommend that the valuer maintain sufficient and appropriate evidences to support their key valuation assumptions and judgements.</p> <p>Management response Agreed, we have instructed the valuation team to ensure appropriate evidence is retained to support all key assumptions and judgements.</p>	<p>As per the management response, the evidence supporting the valuation assumptions and judgements will be reviewed to ensure that it clearly backs up the assumptions and judgements which have been used.</p>
<p>We recommend that management take the necessary measures to secure a lease agreement for this property and all other similar properties without existing lease agreements.</p> <p>Management response Agreed, the team have since identified the draft lease and will progress this to completion as soon as possible.</p>	<p>Work is being undertaken to secure a lease agreement for the property. A review of all properties which are leased will be undertaken and leases agreed as required.</p>
<p>Given the importance of accurate asset categorisation and depreciation in public sector accounting, we recommend that management review the fixed asset register and properly categorise the infrastructure assets to ensure they fall within the correct CIPFA groupings for reliable reporting.</p> <p>Management response Agreed, we will review the categorisation within the fixed asset register to ensure useful lives remain appropriate.</p>	<p>Review of assets has been undertaken and "useful life" depreciation to be re-aligned on asset register before year end to ensure CIPFA options are followed. As opposed to using historic specialist values for old assets.</p>