

UPDATE ON KEY AUDIT AND ACCOUNTING MATTERS

OVERVIEW	
<p>The table below summarises the key audit and accounting matters that have arisen since the Audit and Accounts Committee on 20 September 2016. Those that were identified before 7 October have been included in our ISA260 Report to the Audit and Accounts Committee issued to the Committee on 7 October (page references given below). Those that have arisen since 7 October are detailed below to accompany the verbal update to be given to the Audit and Accounts Committee at its meeting on 14 October 2016.</p>	
CATEGORY	MATTER ARISING AND IMPACT
Corrected misstatements	<p><u>Before 7 October:</u></p> <p>£8.489m capital grant in relation to Growing Places funding was incorrectly recognised as received in advance when the conditions for the grant had been met (pages 5, 12 and 36). This amendment reduced the Council's reported deficit by £8.489m.</p> <p>The cash flow statement has been re-worked following a material error identified in the prior year figures of £42.496m. Correction has resulted in a number of changes (page 36) and further adjustments have been made since 7 October as part of the correction of other misstatements identified during the audit, for example the REFCUS matter noted below.</p> <p><u>Since 7 October:</u></p> <p>£29.078m Revenue Expenditure Capitalised Under Statute (REFCUS) was incorrectly netted off income in the Comprehensive Income and Expenditure Statement (CIES). This is material and has been amended. There is no impact on the reported deficit in the CIES.</p> <p>£73.200m REFCUS was also incorrectly netted off in the prior year's CIES. As this is material a prior period adjustment is required. This has been amended and a narrative note included to explain the restatement of the prior year comparatives.</p>
Unadjusted misstatements	<p><u>Before 7 October:</u></p> <p>Three misstatements were identified but are not being corrected as management consider them to be immaterial in the context of the financial statements. We concur with this view of relative materiality.</p> <p>These misstatements are set out in Appendix II on page 37.</p> <p><u>Since 7 October:</u></p> <p>One further misstatement of £1.178m arose due to understatement of accrued expenditure. This is a projected misstatement which, if corrected, would increase the Council's reported deficit by £1.178m. This has been included in an updated table of unadjusted audit differences being tabled on 14 October 2016.</p>
Significant deficiencies in internal control	<p><u>Before 7 October:</u></p> <p>Some manual journals were found to have been posted by a budget holder to their own cost centres. This is contrary to the normal procedure of financial advisors posting journals and results in a lack of effective segregation of duties, upon which the Council relies as a fraud and error prevention control. We recommend that budget holders are restricted from posting manual journals to the cost centres for which they are responsible. This is reported on page 24 and is related to our follow up of a significant internal control deficiency reported by the previous auditor.</p>

UPDATE ON KEY AUDIT AND ACCOUNTING MATTERS

Continued

CATEGORY	MATTER ARISING AND IMPACT
Other internal control weaknesses	<p>We identified control weaknesses in respect of:</p> <ul style="list-style-type: none"> Retention of evidence to demonstrate proper control over disabling IT access for staff leaving the Council's employment. Transfer of title to the Council for all the assets to which it has rights and includes on its Balance Sheet <p>Also the Council was unable to provide a user list for the Swift (adult social care) system.</p> <p>We will agree appropriate recommendations with officers to address these matters.</p> <p>We have reviewed the report issued to the Committee by the previous appointed auditor at the conclusion of the 2014/15 audit and considered the progress made in implementing their recommendations (excluding those relating only to the pension fund). Where control weaknesses still exist we have raised appropriate recommendations this year.</p>
Information remaining outstanding	Payroll report confirming the employee and employer contributions made towards the teachers' pension scheme.