



Exeter City Council

Interim Audit Report

External Audit 2008-09

June 2009

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1 Executive Summary

Introduction

This report summarises the findings from our interim audit, carried out in accordance with the requirements set out in our 2008-09 Audit Plan. As part of this work we have considered:

- the extent to which we can place reliance on the work of Internal Audit;
- the adequacy of the controls over information technology;
- the adequacy of controls over the financial reporting process;
- the key systems in place at the Council and the adequacy of the key controls in operation;
- the adequacy of arrangements for year-end closedown and the preparation of the annual accounts; and
- the level of fraud risk at the Council and the surrounding controls in place.

Key messages for the Council

We completed a full review of the Council's Internal Audit Service in 2007-08, to assess its overall level of compliance against the CIPFA internal audit standards. We have revisited our findings this year to assess the progress made in responding to recommendations made last year. Overall, we have concluded that Internal Audit comply with the standards, however continuing action is required to ensure that our recommendations from 2007-08 are fully implemented.

Our information systems specialist performed a high level review of the general IT control environment, as part of our assessment of the overall internal control system and concluded that, from the work undertaken to date, there are no significant weaknesses which could adversely impact on the Council's financial statements, though we have made two recommendations to improve the adequacy of IT controls.

We found that the Council's processes and controls for financial reporting were generally sound with only minor weaknesses identified regarding journals.

We have assessed the arrangements in place to ensure that the financial statements and supporting papers are produced within statutory reporting deadlines and consider them to be appropriate.

We have followed up the action plan arising from the 2007-08 interim and final accounts audits and have attached this for completeness at Appendix B . Good progress has been made and we shall revisit this action plan as part of our review of the final accounts audit in July 2009.

Use of this report

This report is part of a continuing dialogue between the Council and us and is not, therefore, intended to cover every matter, which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in the Council's systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it.

The Way Forward

We have discussed our findings with officers and agreed the actions required to implement the recommendations, which are set out at Appendix A. We have summarised the recommendations arising from our previous audit reviews, where action remains outstanding, in Appendix B.

We will complete our remaining work as part of the audit of the Final Accounts and our Use of Resources assessment and discuss any issues arising with management. These will then be summarised in our ISA 260 report.

Acknowledgements

We would like to take this opportunity to thank the officers who have been involved in our interim audit for their assistance and co-operation.

2 Review of Internal Audit Function

We review Internal Audit's overall arrangements against the CIPFA Standards for Internal Audit to ensure that they are adequate to produce robust and reliable work. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by Internal Audit and can conclude that, the service in itself, is contributing positively to the internal control environment and overall governance arrangements within the Council.

In accordance with professional standards and our audit approach, a comprehensive review is only undertaken every three years unless there is an indication that a more frequent review is required.

A full review was carried out in 2007-08. In 2008-09, our work has involved reviewing the Council's progress in implementing the recommendations raised in our 2007-08 interim audit report and ensuring that there has been no significant changes to the internal audit service.

In addition, where Internal Audit have completed specific work and detailed testing on an area that we have determined as representing an accounts risk to the Council's financial statements, we will review this work in detail, to establish whether we can place reliance upon the testing they have undertaken and the conclusions reached. Where we seek to place reliance on specific areas, we undertake re-performance work to ensure that we would have drawn the same conclusions from the testing undertaken and resultant findings. This approach ensures that we maximise the assurance gained from Internal Audit's work in addressing the risk factors we have identified from our overall review of the financial statements and minimises the duplication of audit work.

Findings and recommendations

We reported in 2007-08 that internal audit should ensure that a review and update of system notes is evidenced each year for the individual audits.

Our follow up work in 2008-09 has found that whilst there was some evidence of review and update of system notes, that this was not consistent across all key financial systems reviewed, including income and expenditure cycles. We are aware that the new financial management system was implemented at the Council in 2008-09 and we would expect some processes and controls to have changed during the year as a result of this. There is a risk that reviews undertaken do not identify all of the key transaction cycles operating within the system as a whole, and may not identify all of the controls that are in place within those systems.

Recommendation 1

We recommend that internal audit should review and update system notes each year for individual audits and ensure this is appropriately evidenced on the audit file.

Our interim audit has included a review of the internal audit work undertaken in the year and the subsequent reports produced and distributed to relevant officers. For the creditors audit, we observed that detailed work had been carried out in line with the audit scope but due to the nature of the audit findings, which related to the operation of controls in individual services as opposed to central treasury processes, a formal report was not issued to officers. Instead memos reminding Heads of Service and relevant staff of the requirements for the area were issued.

To ensure that the full findings from the audit review are reported together with the overall assurance on the system, a formal audit report should be produced and issued.

Recommendation 2

We recommend that for key financial system reviews formal audit reports should be issued.

3 Review of Information Technology controls

Our information systems specialist performed a high level review of the general information technology (IT) control environment as part of our overall review of the internal control system.

Like all major organizations, the Council makes extensive use of IT to process financial transactions and to produce their financial statements. The principal finance system is Cedar e-financials. This is an off-the-shelf purchased package which is supported by three finance system administrators. A number of other key systems interface into Cedar, including Council Tax and NNDR data from the Academy system.

We are pleased to note that the IT Department is well structured and organised, providing the Council with a robust control environment. The IT Department manage and administer the network upon which the finance system resides. Although there is a support contract with Cedar, who provide a managed service, it is the IT Department who enable access to Cedar and also undertake some development work in order to bridge the gap between legacy systems and Cedar, for certain data transfer.

The Council has also just received confirmation of their compliance with the Government Code of Connection, reflecting the Council's increased network security to comply with Government standards.

We have completed our review and concluded that there were no significant weaknesses within the IT arrangements that could adversely impact our audit of the accounts. However two recommendations where arrangements could be further enhanced are identified below:

Findings and recommendations

Our review found that change management documentation is currently being developed. This documentation is important to ensure that the Council is aware of the procedures required and there is a systematic approach to change management.

Recommendation 3

IT Management should continue to develop the change management documentation and ensure that it is formally approved and made available to staff as appropriate.

Our review identified that there is no Intrusion Detection System (IDS) in place at the Council. IDS software is designed to alert the Council if any data traffic is detected moving outside of pre-defined settings. Such movement could indicate a potential breach of security. By having an IDS, the IT department could be more effective at protecting the network by responding immediately to potential risks.

The absence of this software may place the Council at risk as it maybe unaware of an attacker attempting to gain unauthorised access and therefore not be in a position to take prompt action.

Recommendation 4

We recommend that IT management consider implementing an Intrusion Detection System.

4 Review of Financial Reporting Controls

Our interim audit at the Council included a high level review of the controls in place and an assessment of the Council's Treasury Management arrangements, including compliance with guidance and the current reporting processes at the Council.

A revised treasury management report was approved by members in December 2008 as part of the 2009-10 budget setting process. This was revised to ensure restrictions were placed over investments, limiting in-house investments to UK institutions only, in response to the collapse of the Icelandic Banks and concerns over other financial institutions.

CIPFA issued a Treasury Management panel bulletin in March 2009 setting out interim advice to local authorities on treasury management practices to ensure best practice and to minimise the risks faced by the Council involved in investment decisions.

Findings and recommendations

From a review of the Council's revised policy and with reference to the CIPFA bulletin, we consider that there are opportunities for the Council to further improve current practices through providing further additional information to members and actively using benchmarking data to assess investment performance.

CIPFA are intending to issue formal guidance through a revised Treasury Management Code and Guidance Notes for Local Authorities following consultation in 2009. The Council should ensure they are aware of the impact of this code and are able to demonstrate that they have the proper practices in place to further exposure to risk in its treasury management arrangements.

Recommendation 5

We recommend that additional information on the performance of the Council's Treasury Management function should be reported to members on a quarterly basis, including information that has been benchmarked to market data, referring to security, liquidity and yield performance.

We reported in 2007-08 that the Council should investigate the reporting abilities of the new financial management system, including reporting on balance sheet items and cash flow data.

Reporting this additional information will improve transparency of the Council's performance and its balance sheet position throughout the year leading up to the annual statement of accounts. This will further enhance the Council's budgetary control arrangements allowing them to focus not just on its income and expenditure position, but will also enable the Council to identify mis-postings to a balance sheet code in advance of preparing its annual financial statements for the year.

The Council agreed to this recommendation in 2007-08 but this has not progressed further. We have repeated this recommendation in 2008-09 to prompt the Council to investigate the ability and the benefits of reporting this additional information to improve transparency of the financial position of the Council.

Recommendation 6:

The Council should investigate the reporting potential of the new financial management system including balance sheet items and cash flow data.

5 Review of Key Financial Systems

We have reviewed and documented the key systems in place at the Council including the system and controls for the following:

- Main Accounting System;
- Income and Debtors;
- Expenditure and Creditors;
- Housing and Council Tax Benefits;
- National Non Domestic Rates;
- Cash and Treasury Management; and
- Payroll.

These systems have been identified as part of our audit work as the key systems in the Council that will generate balances for the statement of accounts for the year ending 31 March 2009.

We have assessed the key expected controls in place for each system and reviewed the actual controls and processes that are undertaken at the Council. Where possible, we have been able to use the work undertaken by internal audit in the year to assist with this documentation.

Based on the work undertaken, we have gained assurance that the key expected controls are in place and are operating effectively. However, we have identified a number of areas where controls can be improved to strengthen the current system of internal control.

Findings and Recommendations

In 2007-08 we reported that the Council should introduce a requirement for independent approval of journals above predetermined thresholds. From our review of the systems, we note that this requirement has yet to be introduced.

There remains a risk to the Council that inappropriate or erroneous journals are processed that impact upon the financial statements, although the extent of this risk is mitigated through the small number of people who have access to process journals on the financial system.

Recommendation 7:

We recommend that the Council introduce a requirement for independent approval of journals above predetermined thresholds.

From our review of the expenditure and creditor transaction cycles, we note that the new financial system is able to report on the average time taken to pay invoices, i.e. creditor payment days, for the Council overall which are reported to members through the quarterly stewardship reports.

However, this information does not currently enable the Council to review performance by service areas. This has been raised by internal audit in the year as a recommendation to officers.

There is a risk that the total value for creditor payments are masking the performance of individual service areas, where improvement may be required.

Recommendation 8:

The Council should investigate how to produce reports showing the performance of service areas under the creditor payment day targets.

In 2008-09 internal audit completed a number of reviews within the main accounting system, and found that the procedure notes used by the financial accountants have not been updated for the new financial management system implemented on 1 April 2008. We confirmed that no progress had been made at the time of our own review on the documentation for the main accounting system in April 2009.

There is a risk that inappropriate procedures are followed, which could lead to errors in the financial system and subsequently impact on the statement of accounts.

Recommendation 9:

The financial procedure notes should be updated as soon as possible to reflect the procedures required in the new financial management system.

6 Review of closedown procedures and timetable and arrangements to prevent and detect fraud

Our work at the interim audit has included discussions with key officers on the closedown preparations being undertaken for the preparation of the statement of accounts and observing the arrangements in place to prevent and detect fraud.

The statement of accounts for the year ending 31 March 2009 are being prepared on the new financial management system, which was fully operational throughout the period.

We are pleased to note that the Council has been proactive in preparing for the closedown period and has been actively using the system support packages in advance of the year end to assist them in understanding the processes involved and to identify any expected issues early on in the process.

Findings and Recommendations

Our work in 2007-08 identified that clear written procedures should be prepared for the creation and treatment of year end creditors and accruals. From discussions with officers, we have identified that procedure notes have not been produced. When producing these notes, they should reflect the general updates from the office procedure manual.

Without clear guidance, there is a risk that accruals are not correctly processed and that these then impact on the financial statements.

Recommendation 10:

We recommend that clear written procedures should be drawn up for the creation and treatment of accruals.

7 Preparation for the 2008-09 Statement of Accounts

We would like to draw officers' attention to the following areas where there have been changes introduced through the 2008 SORP that impact upon the 2008-09 financial statements. We have held discussions with finance officers at Council, on a number of these areas, and will continue to provide support to the Council on these issues during the preparation of the financial statements. The key changes include:

- the valuation treatment of 'specialist properties' in light of additional clarification in the 2008 SORP;
- back pay arising from unequal pay claims. The 2008 SORP confirms treatment that any amounts provided for should be accounted for in accordance with the criteria specified in Financial Reporting Standard (FRS 12), with the impact on Council Tax reversed through creating a new reserve called the 'Unequal Back Pay Account';
- treatment of capital receipts i.e. income that is defined by statute as a capital receipt even though it does not arise from the disposal of a fixed asset. This would mainly relate to repayments of capital grants; and
- presentation of the Cash Flow Statement.

In addition, we set out below, other additional issues that we have discussed with the Council during the course of our audit.

Valuation of Assets

The impact of the current economic climate on the Council will affect a number of areas within the statement of accounts. This, in particular, has resulted in more volatile assets values.

Paragraph 3.121 of the 2008 SORP requires tangible and intangible assets carried in the Balance Sheet at current value, to be revalued at intervals of not more than five years. This is to ensure that the amounts carried in the Balance Sheet are materially correct. The Council needs to ensure that the impact of the current economic climate is considered, and where there are circumstances such that a diminution in value is identified, an impairment should be recognised in accordance with Financial Reporting Standard (FRS) 11.

We have, as part of our interim audit, held discussions with the Council's finance team and property valuation team to discuss their approach to reviewing whether asset values need to be revised and are satisfied with their proposed methodology. We will review the reasonableness of any accounting entries prepared to reflect these valuations as part of our audit of the financial statements.

Investments deposited in Icelandic Banks

The Council was affected by the collapse of the Icelandic Banks. It held investments of £3 million with Landsbanki on a short term deposit that was due to mature on 3 November 2008 and £2 million deposit with Glitnir Bank due to mature in December 2008.

CIPFA has provided advice on the accounting arrangements for authorities with deposits in these banks and has recently released LAAP bulletin 82 which provides further information regarding the level of impairment to be recognised in the Council's accounts in 2008-09.

We will continue to work with the Council to interpret the requirements of the LAAP bulletin to enable them to prepare the required accounting entries. We will verify the validity of these calculations as part of our final accounts work.

International Financial Reporting Standards

From 2010-11, the Council are required to prepare their Statement of Accounts under International Financial Reporting Standard (IFRS) based on an IFRS Code of Practice on Local Authority Accounting prepared by CIPFA. As part of the interim audit, we have discussed with the relevant officers their readiness for conversion to IFRS and the preparation they have undertaken to date.

We are pleased to note that the Council are making positive steps towards conversion and in working in partnership with other Council's locally through the Devon Accounting Group for IFRS implementation, led by Devon County Council.

We have been informed that Devon County Council are currently compiling an IFRS project plan which the officers at Exeter City Council are planning to adopt and follow for consistency across Devon.

With regard to the LAAP bulletin 80 (CIPFA, March 2009), the Council will benefit from supplementing this with a specific Exeter based project plan, to include:

- key dates required to achieve IFRS compliant accounts for 2010-11;
- identification of the information required to feed into the IFRS accounts (for example, for employee benefits from human resources and payroll, lease holdings from Estates, etc);
- identification of the resources required and any subsequent skill gaps that require addressing;
- identification of the chart of account changes that are required, and the date this needs to be undertaken;
- identification of external support required, for example if the opening balances are requested to be audited by an external body;
- identification of financial resource implications; and
- the capabilities of the financial management system, and changes required, to prepare information and the key dates for testing these.

Without a detailed and specific project plan, there is a risk that the Council has not fully assessed the impact of IFRS for the Council and the resulting implications for its own systems and processes to produce IFRS accounts.

Recommendation 11:

The Council should develop and agree an IFRS project plan for Exeter City Council to ensure they are in a position to prepare the 2010-11 statement of accounts under the IFRS based Code of Practice on Local Authority Accounting in accordance with the CIPFA timetable.

The LAAP bulletin encourages authorities to discuss their project plans with those responsible for governance arrangements to ensure that there is support for the implementation and that the Council is fully aware of the requirements.

Without support from members responsible for governance, there is a risk that the IFRS implementation is not given the support required.

Recommendation 12:

The Exeter project plan for the preparation of IFRS based statement of accounts in 2010-11 should be presented to those charged with governance for consideration, at the earliest opportunity.

A Action Plan

No	Recommendation	Management Response	Responsible Officer & Timescale
1	We recommend that internal audit should review and update system notes each year for the individual audits and ensure this is appropriately evidenced on the audit file.	Agreed.	Ed Heaton Ongoing
2	We recommend that for key financial system reviews formal audit reports should be issued.	We proposed that in future, a formal report will be sent to the Head of Treasury of the results of our audit.	Ed Heaton Ongoing
3	IT Management should continue to develop the change management documentation and ensure that it is formally approved and made available to staff as appropriate.	This is work in progress and will be completed on schedule.	Head of IT services Oct 2009
4	We recommend that IT Management consider implementing an intrusion detection system.	This will be considered in consultation with the Devon IT Managers' Group.	Head of IT Services Dec 2009
5	We recommend that additional information on the performance of the Council's Treasury Management function should be reported to members on a quarterly basis, including information that has been benchmarked, referring to security, liquidity and yield.	Agreed partially. We can produce quarterly benchmarked performance data showing how are investment return compares. Please could you offer examples of what information could be provided.	Andy Stark & Dave Hodgson
6	The Council should investigate the reporting potential of the new financial management system including balance sheet items and cash flow data.	Agreed	David Hodgson Dec 2009

No	Recommendation	Management Response	Responsible Officer & Timescale
7	The Council should introduce a requirement for independent approval of journals above predetermined thresholds.	Agreed. We need to agree a suitable threshold level for journals.	Brenda Steer Dec 2009
8	The Council should investigate how to produce reports showing the performance of service areas under the creditor payment day targets.	Agreed.	Brenda Steer Sept 2009
9	The financial procedure notes should be updated as soon as possible to reflect the procedures required in the new financial management system.	Agreed.	Brenda Steer & Dave Hodgson March 2010
10	Clear written procedures should be drawn up for the creation and treatment of accruals.	Agreed.	Brenda Steer & Dave Hodgson March 2010
11	The Council should develop and agree an IFRS project plan to ensure they are in a position to prepare the 2010-11 statement of accounts under the IFRS based Code of Practice on Local Authority Accounting.	Agreed. A project timetable will go to Final Accounts Cttee in June 09	Dave Hodgson June 2009
12	The project plan for the preparation of IFRS based statement of accounts in 2010-11 should be presented to those charged with governance for consideration, at the earliest opportunity	Agreed. A project timetable will go to Final Accounts Cttee in June 09	Dave Hodgson June 2009

B Follow up of 2007-08 Recommendations

Recommendation	Follow Up	Further Action Required
<p>Internal Audit There should be a formal programme for audit staff to rotate across audit areas</p>	<p>Discussed with Audit and noted that in 2008-09 some areas were subject to rotation for example within Housing and Accounting reviews.</p>	<p>No concerns noted from our interim audit review in 2008-09 therefore no follow up action required.</p>
<p>Audit Committee Consider establishing an independent Audit Committee in line with CIPFA standards.</p>	<p>Noted that this has not progressed depending on the outcome of the Council's application for Unitary Status.</p>	<p>Recommendation has not been re-raised in 2008-09 but will be kept under review depending on the outcome of the unitary status application.</p>
<p>Internal Audit A formal audit strategy should be developed and presented to the Scrutiny Resources committee, to support the annual operational plan.</p>	<p>The audit plan was reported to members of the Resources Scrutiny Committee 25th March 2009, including reference to the audit strategy.</p>	<p>None.</p>
<p>Internal Audit Internal Audit should produce formal audit plans detailing the scope and any limitations for individual arrangements and discuss and agree these with the relevant managers before audit work begins.</p> <p>Internal Audit should hold these plans on file as evidence of audit planning.</p>	<p>Our review confirmed that audit scopes are being discussed and sent out to the relevant service line manager in advance of the audit.</p>	<p>None.</p>

Recommendation	Follow Up	Further Action Required
<p>Internal Audit The Head of Audit should formally document the review process undertaken and ensure the review is evidenced on electronic working papers.</p>	<p>Our review confirmed that there is evidence of review by the Head of Audit on relevant working papers.</p>	<p>None.</p>
<p>Internal Audit The Head of Audit should ensure the annual report contains a comparison of actual work against the operational plan and also report against the performance measures and targets set for the financial year.</p>	<p>Discussions with audit have confirmed that the annual report will contain performance information.</p> <p>This is expected to be published in June 2009.</p>	<p>Report to be reviewed when issued in June 2009.</p>
<p>Internal Audit Internal Audit should ensure that a review and update of system notes is evidenced each year for the individual audits.</p>	<p>Our follow up work in 2008-09 has found that the internal audit files do not evidence that system notes have been updated for the main financial system, including income and expenditure cycles.</p>	<p>Recommendation raised in 2008-09 (see recommendation 1).</p>
<p>Entity Controls The Council should introduce a requirement for independent approval of journals above predetermined thresholds.</p>	<p>Discussions with officers noted that this was agreed and has not yet been implemented, therefore they will investigate the capabilities on the system.</p> <p>A predetermined threshold has yet to be agreed.</p>	<p>Recommendation raised in 2008-09 (see recommendation 7)</p>

Recommendation	Follow Up	Further Action Required
<p>Information Technology</p> <p>There should be a process in place to ensure that all users have signed up to the appropriate policies.</p> <p>User lockout should be increased to three attempts.</p> <p>A Request For Changes (RFC) form should be implemented</p>	<p>The work completed by our IT specialist has not identified these issues as re-occurring.</p>	<p>None</p>
<p>Information Technology</p> <p>Management should ensure that all end user testing results are being fed into the project documentation.</p>	<p>The work completed by our IT specialist has not identified these issues as re-occurring.</p>	<p>None</p>
<p>Closedown Procedures</p> <p>The aged debtor balances should be included in the quarterly budget reports sent to members, to allow members to review the levels of aged debt at the Council.</p>	<p>Agreed to the Scrutiny Report to the Resources Committee that the aged debtor balance is reported along with comparative data from previous periods.</p>	<p>None.</p>
<p>Closedown Procedures</p> <p>The invoice payment days and creditor balances should be reported to members on a quarterly basis, within the finance reports already presented.</p>	<p>Discussed with internal audit, and officers within treasury services.</p> <p>It was noted that this reporting on creditor payment days at a department level is a concern for the Council and a new reporting tool is to be implemented in July 2009.</p>	<p>Recommendation raised in 2008-09 (see recommendation 8)</p>

Recommendation	Follow Up	Further Action Required
<p>Closedown Procedures Clear written procedures should be drawn up for the creation and treatment of accruals.</p> <p>A de-minimus level for creating accruals should be discussed by the Treasury Service Managers and guidance given to all treasury service officers.</p>	<p>Written Procedures Noted that this is still to be updated in line with the general updates for the office procedure manual.</p> <p>This guidance has not been prepared for closedown.</p> <p>De Minimus Level Noted that this has not been introduced for 2008-09 closedown.</p>	<p>Written Procedures Recommendation raised in 2008-09 (see recommendation 10)</p> <p>De Minimus Level Accruals actually made will be reviewed as part of the final accounts audit for number and value.</p>
<p>Budgetary Control The virement procedures should be followed and all virements should have evidence of authorisation.</p>	<p>The internal audit review on budgetary control has not identified any specific concerns on virement procedures.</p>	<p>None.</p>
<p>Budgetary Control The Treasury service Managers should investigate the reporting abilities of the new financial management system.</p> <p>In particular, the Council could benefit from reporting an actual and forecast Balance Sheet and Cash Flow data to members on a quarterly, or half yearly, basis.</p>	<p>Although the Council agreed to this recommendation this has not progressed further.</p>	<p>Recommendation raised in 2008-09 (see recommendation 6).</p>
<p>ISA260 Report - Journal Entries</p> <p>We recommend that a policy is introduced for authorization of journals. In addition an option for electronic authorisation should be investigated with the new financial management system.</p>	<p>As above.</p>	<p>Recommendation reported (7)</p>

Recommendation	Follow Up	Further Action Required
<p>ISA260 Report - Age of outstanding debtors</p> <p>The Council should review the status of bad debts and review the recoverability of the debtors and look into writing off the debts rather than creating a provision each year.</p>	<p>The Council have implemented a Corporate Debt Policy (approved by Scrutiny Resource Members on 28 Jan 2009) to formalise the procedures throughout the Council.</p>	<p>Outstanding Debts to be reviewed as part of the Statement of Accounts audit 2008-09.</p>
<p>ISA260 Report - Commercial Rent Debtors and Income</p> <p>The Council should implement a process to ensure that invoices raised are recognised in the correct periods. This should ensure that all receipts are accrued for and accounted for in the year to which they relate, and not to the year that they are processed or received.</p>	<p>Noted that an additional exercise is being undertaken to identify the invoices sent out in March to identify the period to which they relate.</p>	<p>Rental income and debtors to be included within the debtor and income testing as part of our statement of accounts audit.</p>
<p>ISA260 Report - General Fund Reserve</p> <p>The Council should consider setting a maximum level for the amount of general fund reserves held. This will allow the Council to mitigate the risk of collecting money from council tax payers in advance of need, Furthermore the Council should assess the opportunity cost of holding this level of general fund reserves.</p>	<p>The Council amended the reserves policy to ensure there is a minimum level of £2m.</p> <p>The Council have not calculated the opportunity cost of holding general fund reserves.</p>	<p>We will review the final outturn and compare the actual balance on reserves with the planned balances at 31 March 2009 in the Medium Term Financial Plan.</p>
<p>ISA260 Report - Lease Agreements</p> <p>The Council should conduct a full review of the lease payments they are paying out each year and confirm that they are still receiving the services that they have entered into and that supporting lease documents are held.</p>	<p>Noted issue of lease agreement from 2007-08 - this is still being chased up DH with the lease company.</p>	<p>This will be reviewed as part of the Statement of Accounts audit in 2008-09.</p>



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