

## 5 -Internal control recommendations

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	2
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	5
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

Point	Significant deficiencies in internal control	Description of deficiency	Potential effects	Recommendations	Date Implemented change	Management response
1	Level 1	Our testing of <b>asset valuations</b> identified a number of issues where information used in the valuations did not agree to supporting documentation. Discussions with management confirmed no formal challenge of the valuations had taken place as part of the accounts closedown process.	A lack of appropriate challenge by management can lead to errors in valuations being undetected before asset values are updated.	Management should: 1. Review the valuations process to identify ways of preventing incorrect data being used in valuations; and 2. Complete a review and challenge of information provided by the valuer prior to processing adjustments to the asset register.	No change required on challenge element but appointment of valuer changed 1.9.22	Formal challenge has always taken place. The valuations used to be sent to the Corporate Property Manager who reviewed and verbally challenged any that she felt were inaccurate. However this process was not documented. The process since 20/21 has been for the valuations to be sent to the CP Manager and Principal Accountant, who both review the valuations for material changes, errors etc but we now challenge via e-mail in order to evidence the challenges. In 20/21 delays in receiving the valuations caused problems due to COVID, and being a 1 person organisation who experienced illness during the valuation contract leading to delays. We have now changed valuer and have had a successful process in 21/22 and 22/23 with the valuer gaining a better understanding of our properties leading. We are now (1.8.23) going to tender the valuation process for a 5 year period rather than annually which will hopefully attract more interest from valuers.
2	Level 1	A) Our testing of <b>expenditure items</b> identified an income accrual journal which had been posted in error to expenditure. The net impact of the journal was trivial. Further discussion with management confirmed the journal had not been subject to formal review before posting to the ledger. B) Journals should have a sufficient backing with clear working papers	Failure to review journal adjustments prior to posting to the ledger increases the risk of errors being undetected in the financial statements.	Management should review the process for posting journals and implement a review process in order to reduce errors before they are posted. Journals should be backed by proficient working papers	Action taken & monthly checks in place.	Accountants' check journals before they are uploaded, and make sure that the Exp/Inc is correct. Apart from this, the person who was responsible for this error has since left the organisation, and current staff have been trained to do checks before uploading journals.
3	Level 2	Our walkthrough of the <b>accounts payable system</b> confirmed changes to supplier bank details are confirmed through contacting the supplier via existing contact information, however there is no formal documentation to confirm the call has taken place.	Changes to standing supplier data are a key area of potential fraud risks. Without a full audit trail it is difficult to confirm the steps taken by the Council to ensure changes are appropriate.	Recommendations - Changes to supplier bank details should be formally documented and approved prior to updating the accounts payable system.	Jun-23	We have now started to log calls made to supplier, where we date and sign a call log, to show robust evidence.
4	Level 2	Our walkthrough of the <b>accounts receivable process</b> confirmed no formal credit checks were undertaken before setting up a new customer on the system. While this is not always possible given the nature of the services provided by the Council, customers in receipt of discretionary services should be subject to some form of checks.	A lack of appropriate credit checks increases the Council's exposure to losses through non-payment of debts owed.	The Council should review its procedures for setting up new customers, and determine the appropriate level of credit checks required based on the risk and value of debt with a new customer.	Apr-24	The Department who are using a new supplier are currently doing there own checks for new suppliers. The new financial system which will be rolled out for financial year 24/25. This process will be held centrally in the accounts team.

5	Level 2	Our walkthrough of the <b>accounts receivable processes</b> confirmed the daily receipts file is manually input into the system, and checked by the same individual to confirm the upload is complete and accurate. This process does not include sufficient segregation of duties.	A lack of appropriate segregation of duties increases the risk of fraud and error within the financial system.	The check of the receipts upload should be reviewed and signed off by a different member of the finance team to the person who uploaded the information.	17-Jul-23	Staff have now trained and implemented a 2 person configuration step, to verify the daily cash.
6	Level 2	Our review of the Council's methodology for calculating its <b>expected credit loss allowance</b> confirmed this is primarily based on historical experience of collection. Since the Code adopted IFRS 9, there is a requirement for the Council to complete a forward look to identify any further changes in circumstance which may impact on the credit risk associated with debts owed to the Council.	Without completing an appropriate forward look of the Council's credit risk, there is a risk the Council's debtors may be carried at an inappropriate amount.	The Council should update its review of credit loss allowances to be fully compliant with the requirements of the CIPFA Code.	No further Action required July 23.	Following discussions with LGfutures, expected credit losses under IFRS9 is not required for statutory debts, therefore this has not been taken on board as the majority of the Councils debts are classed as statutory.
7	Level 2	Our review of the Council's <b>year-end bank reconciliations</b> identified a trivial unreconciled difference on the reconciliation for the receipts bank account. In addition, we noted that while the bank reconciliation is reviewed by a Principal Accountant each month, the review is not formally documented and signed off.	Unreconciled differences within bank reconciliations increase the risk of errors arising in the financial statements.	The finance team should: 1.review this historic imbalance with a view to clearing this in advance of the next year end closedown; and 2.ensure each bank reconciliation is formally reviewed and signed off on a monthly basis.	Dec-22	We have set aside dedicated time to review and reconcile the bank statements. Due to staff leaving, the knowledge and had been lost. A new member of the team was recruited who possesses the necessary skills and knowledge to complete this task on a regular basis.
8	Level 3	Our review of <b>debtor balances</b> identified suspense codes with a total balance of -£47k relating to unallocated cash. The balances related to periods as far back as 2011/12.	Unreconciled cash receipts increase the risk of balances being inappropriately carried on the balance sheet when they have in fact been settled.	Unallocated cash balances should be reviewed on a regular basis, and longstanding items should be periodically cleared.	Dec-23	This is being looked at has we need to clear the credits off the system due to a new Financial system being implemented. Our Project Manager is looking at best case practice to deal with these credits