

## Report of the Deputy Chief Executive

**AUDIT COMPLETION REPORT 2019/20 – MANAGEMENT RESPONSES UPDATE**1. Purpose of report

To provide additional details of actions being undertaken in response to the recommendations made by the external auditors in their Audit Completion Report on the external audit of the Council's 2019/20 accounts.

2. Detail

The Audit Completion Report 2019/20, presented by the external auditors (Mazars) to the Governance, Audit and Standards Committee on 30 November 2020, followed their work on the Council's 2019/20 accounts. This included three recommendations intended to strengthen the internal control or enhance business efficiency.

The management responses provided to the external auditor's recommendations were included in the Audit Completion Report 2019/20. However, further detail as to the nature of the recommendations and how they are being addressed is set out in the appendix.

It should be noted that the external auditors regard none of the recommendations as high priority. Recommendations 1 and 2 are considered to be medium priority whilst recommendation 3 has been categorised as low priority. However, addressing all the recommendations should result in improvements to the internal control framework as well as enhance business efficiency.

Mazars' interim audit of the 2020/21 accounts commenced on 8 March 2021 and lasted for one week with a further week scheduled to commence on 29 March 2021. The final audit of the 2020/21 accounts is presently scheduled to commence on 26 July 2021.

**Recommendation**

**The committee is asked to NOTE the work being undertaken to respond to the recommendations made in the Audit Completion Report 2019/20 as set out in the appendix.**

Background papers

Nil

## APPENDIX

**Audit Completion Report 2019/20 – Management Responses Updates****Recommendation 1 – Related Party Transactions: Declarations of Interest**Description of Deficiency

Whilst we recognise there are procedures for members to declare an interest in any matters during committee meetings, in our testing of related party disclosures we identified 2 members did not return a signed declarations of interest form for 2019/20.

Potential Effects

Incomplete disclosures and governance transparency

Recommendation

The Council must ensure annual signed declarations are received, even for nil responses.

Management Response Update

The related party disclosure forms for 2020/21 have been circulated to all members along with the papers for the Council meeting on 3 March 2021. Reminders will be sent to members if the forms are not returned by the deadline. If they are still not returned then this will be brought to the attention of the respective Group Leaders to encourage a response.

**Recommendation 2 – Asset Valuations**Description of Deficiency

The Council's valuer rightly applies professional judgement to determine the carrying value of assets subject to valuation. Our responsibilities as your auditor, which have significantly increased through regulator expectations, is to apply professional scepticism and professionally challenge those judgements. Compared to other local authorities, the underlying records and the documentation trail to support the Council's valuations needs improvement. For example:

- Some adjustments applied to the valuation were not what were documented on the valuation calculation e.g. the valuation for a property was said to be adjusted from a 2 bed house to a 3 bed house but in reality the adjustment was made for the condition of the property.
- There was little evidence, other than the valuer's own judgement, as to why HRA Beacon Values were adjusted by +/- 10%, whereas we would expect a qualitative or quantitative justification based on historic trends or comparable evidence.

This level of testing and our need to receive satisfactory evidence has meant our work has taken longer this year.

#### Potential Effects

Incomplete disclosures and governance transparency.

#### Recommendation

The Council must review the documentation supporting valuations to ensure there is a clear audit trail and supporting explanations.

#### Management Response Update

The instructions provided to the Council's valuer for the 2020/21 valuations will state that the valuations provided will be subject to close scrutiny to ensure that they are supported by a clear audit trail with accompanying evidence and proper documentation. This scrutiny will involve internal audit and other staff from the finance team as necessary. Particular attention will be given to those valuations that have changed significantly or which are considered to have a material impact upon the Council's financial statements.

### **Recommendation 3 – Rolling Programme of Valuations**

#### Description of Deficiency

The Council ensures that all assets are revalued at least once every five years as part of a rolling programme. In our testing of completeness, we reconciled the fixed asset register to the rolling programme, which identified a number of reconciling items where asset names and identifiers were different between the two.

#### Potential Effects

Risk of omission and/or incomplete records.

#### Recommendation

The Council should reconcile and update the fixed asset register and rolling programme of revaluations prior to 31 March 2021.

#### Management Response Update

The fixed asset register has been reviewed in advance of the 31 March 2021 year end date to ensure that it aligns correctly with the rolling programme for asset valuations issued to the Council's valuer. Properties sold in recent years have been removed and identifiers updated as necessary.