

AUDIT COMMITTEE - Table of Outstanding Issues (March 2025) – EXTERNAL AUDIT RECOMMENDATIONS

Nos	External Audit Recommendation	Reported	Lead / Service	Initial Management Response Reported to the Committee on 13 February 2025	Progress / Comments / Status
1	<p>We have identified a significant weakness relating to Governance. Unauthorised expenditure of £386k in 2023/24 has been identified on the Spendells capital project. In addition to this, a number of capital projects, including Spendells, have overspent their budget in 2023/24. The unauthorised expenditure highlights that appropriate governance procedures to monitor approved capital expenditure on projects were not in place during 2023/24.</p> <p>The Council is undertaking a formal investigation into how the unauthorised expenditure arose, but this is yet to be concluded at the date of our report. We recommend that the Council concludes its investigation as soon as possible and ensures that appropriate governance arrangements are in place to monitor the implementation of the recommendations arising from the investigation</p>	<p>Auditors Annual Report for the year ended 31 March 24</p> <p>(Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>The outcome of the investigation into Spendells is due to be finalised and reported to Members shortly, and any emerging recommendations to strengthen the Council's project management / governance arrangements will be considered as timely as possible.</p> <p>In respect of the reference to capital projects overspending their budget in 2023/24, unlike the Spendells project where unauthorised expenditure was incurred, these broadly relate to projects where the associated budgets would have increased as necessary via the Council's existing governance arrangements. The overspending reference therefore relates to increases made to the associated budgets ahead of expenditure being incurred which would have been subject to separate standalone decisions or via the regular Financial Performance Reports presented to Cabinet. Such reports would have set out the reasons for the increase.</p> <p>It is also important to highlight that the Council has acknowledged the need to ensure sufficient capacity to deliver the Council's various ambitious projects, with the Project Delivery Unit recently being established.</p>	<p>The outcome from the investigation referred to is set out within the main body of this report and elsewhere within the appendices.</p>

2	<p>The Council should expediate the implementation of solutions identified to prevent any risk of being in breach of GDPR laws</p>	<p>Auditors Annual Report for the year ended 31 March 24 (Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>The arrangements to address the risk, have all been implemented post May 2023 local elections under the newly elected Council</p>	<p>Completed with the necessary actions taken as referenced.</p>
3	<p>The Internal Audit team during their Project Management review, noted improvement is required due to major issues identified around multiple instances of projects failing to be delivered on time and within their original budget. Due to the nature of these projects, the values involved, and potential for further overspends, as well as the scale of the Council's capital programme and funding in the short and medium term, we have noted a significant risk around governance.</p> <p>The report from internal audit on Project Management had two major findings, however, there is an adequate action plan in place to address the issues found. We recommend that the Council continue to implement and closely monitor the progress of the action plan.</p>	<p>Auditors Annual Report for the year ended 31 March 24 (Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>Please see management response set out against item 1 above. As recommended, the Council will continue to implement the necessary actions and monitor the progress of the action plan that will be complemented by the outcomes from the Spendells investigation and any other learning from other major projects that will be reported to members as set out in the Annual Governance Statement.</p>	<p>Please see the main body of the report in respect of the Spendells investigation. In terms of the Internal Audit action plan, this will remain on-going and updates will be provided during 2025/26.</p>
4	<p>Risks around building safety, fire and mould which are current sector issues are not currently captured in the corporate risk register. The Council also do not currently monitor service-line risks alongside the authority-wide risk register. We</p>	<p>Auditors Annual Report for the year ended 31 March 24</p>	<p>Director Finance & IT</p>	<p>It is acknowledged that there is always a balance between operational / service risks and those captured within the Corporate Risk Register. The Council's current corporate risk register does capture Health and Safety and the Management of Assets as high level risks, but further</p>	<p>Remains under review with updates to be provided during 2025/26.</p>

	recommend that the Council ensure that health and safety risks are adequately captured in the risk register and service-line risks are monitored alongside the authority-wide risk register.	(Audit Committee 13 February 2025)		consideration will be given to the recommendations made in terms of achieving this overall balance.	
5	Although the Council make tender exemption decisions individually, a central tender waiver register is not held. We recommend that the Council hold a central tender waiver register to be reviewed annually by Cabinet and the Audit Committee.	Auditors Annual Report for the year ended 31 March 24 (Audit Committee 13 February 2025)	Director Finance & IT	This will be considered as part of the upcoming annual governance review.	As highlighted, this will be considered alongside the annual governance review that will be undertaken early in 2025/26.
6	The Council's risk management framework is now 6 years old, we recommend that this is reviewed and updated as required.	Auditors Annual Report for the year ended 31 March 24 (Audit Committee 13 February 2025)	Director Finance & IT	Although this will be considered as part of the on-going Corporate Risk Management activities and associated reports to the Audit Committee, it is important to highlight that it is broadly subject to review on a six monthly basis as part of the same process.	This remains under review for consideration as part of the six monthly corporate risk register reporting during 2025/26.
7	Review of valuation of land and buildings: Currently there is not a formalised review of the Council's valuer Wilks Head and Eve output. The Council do not hold sufficient data on the floor areas of their other land and buildings asset portfolio including up to date floor plans. We recommend that the Council undertake a full review of their asset portfolio and ensure up to date data is held on all asset floor areas. We also	Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13	Director Finance & IT	This will be reviewed as part of the preparation of the 2024/25 Statement of Accounts, but it is acknowledged that it may have to be undertaken on a phased approach over more than one year given the expected scale of the associated work involved. Updates will be provided to Members as necessary.	This work remains on-going as part of the preparation of the 2024/25 Statement of Accounts with updates planned to be reported later in 2025/26.

	recommend that the Council undertake a formal review of the valuation on an annual basis.	February 2025)			
8	Review of journals: There is no documentation to the review of journals other than the initials of the reviewer. All journals posted below £100k have no approval or review process. We recommend that the Council formalise their review process for journals including full documentation of the review e.g. purpose of the journal, as well as review of some journals below the threshold.	Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13 February 2025)	Director Finance & IT	It is important to highlight that journals are only undertaken by finance officers within the Corporate Finance Team rather than a wider issue across the Council and journals involve the movement of money internally between budget lines. Although it is accepted that there is a risk of misstatement to the accounts via the journals process, there are already complementary controls in place that adequately address such risks and therefore it is not proposed to consider the implementation of this recommendation	No further action proposed as highlighted.
9	As part of our VFM work we identified capital projects with budgetary overspends which were flagged as part of an Internal Audit review as well as unauthorised expenditure on a capital project. We consider this to indicate an internal control environment weakness in regards to the establishment of structures, reporting lines and appropriate authorities and responsibilities in the pursuit of objectives.	Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13 February 2025)	Director Finance & IT	In respect of the reference to capital project overspending, unlike the Spendells project where unauthorised expenditure was incurred, these relate to projects where the associated budgets would have increased as necessary via the Council's existing governance arrangements. The overspending reference therefore relates to increases made to the associated budgets ahead of expenditure being incurred which would have been subject to separate standalone decisions or via the regular Financial Performance Reports presented to Cabinet. Such reports would have set out the reasons for the increase.	Please see response to items 1 and 3 above.

10	<p>During our VFM work, we identified an instance of unauthorised expenditure and have raised a significant weakness in this regard. The Council were conducting an external investigation into the reasons the unauthorised expenditure was able to occur, however, this was not concluded at the time of us completing our value for money work and reporting and we will therefore raise a control deficiency in relation to the timeliness of the investigation being concluded and recommend it is concluded as soon as possible.</p>	<p>Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>The outcome of the investigation into Spendells is due to be finalised and reported to Members shortly, and any emerging recommendations to strengthen the Council's project management / governance arrangements will be considered as timely as possible.</p>	<p>Please see response to item 1 above.</p>
11	<p>Declarations of interest (DOI): KPMG had requested up to date DOI for each councillor to agree to interests recorded in the Register of interests for related party purposes. The council does not hold an up to date DOI from two councillors due to non-response. We recommend that the Council continue to reiterate the importance of each councillor providing an up to date DOI annually.</p>	<p>Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>This issue relates to the email sent out to Members at the end of each financial year reminding them to confirm that their DOI's are up to date that in turn informs the associated reporting within the Statement of Accounts where necessary. It is not necessarily that their DOI's are not up to date but a matter of them confirming that is the case or otherwise at the end of each year. The importance of the required action from Members will be included within the upcoming request at the end of 2024/25</p>	<p>This issue will be highlighted within requests sent to members as part of the 2024/25 Statement of Account process.</p>
12	<p>Payroll reconciliation: Differences were noted between the payroll report and general ledger during our testing of the remuneration report, we therefore recommend that the Council perform a reconciliation between the payroll report and general ledger for the purposes of the salary bandings disclosed within the</p>	<p>Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13</p>	<p>Director Finance & IT</p>	<p>It is important to emphasise that a reconciliation of the payroll system and the general ledger is undertaken, with this recommendation therefore referring to a specific reconciliation relating to the officers' remuneration note within the Statement of Accounts as referenced. The recommendation action will be undertaken in respect of the</p>	<p>The reconciliation process referred to will be undertaken as part of the 2024/25 Statement of Accounts process.</p>

	officers remuneration report to understand any reconciling items.	February 2025)		upcoming preparation of the 2024/25 Statement of Accounts.	
13	<p>Management review of actuarial assumptions: We inquired with the audited entity to understand the pension process. We understood that the Finance Head reviews the assumptions and methodologies used in the calculation of the FRS 102 Report. This is based on their understanding of the pension scheme, the accounting standard and the business process and circumstances. The documentation is not formalised and may consist of email or corresponding and verbal confirmations. However, the audited entity was not able to provide the evidence of performing the control. We recommend that management produce formal documentation of their review of the assumptions and methodologies used in the calculation of the FRS 102 Report.</p>	<p>Year End Report to the Audit Committee for the year ended 31 March 2024</p> <p>(Audit Committee 13 February 2025)</p>	Director Finance & IT	Although a review is undertaken as referred to, formal documentation will be produced in respect of the upcoming preparation of the 2024/25 Statement of Accounts	This will be undertaken as part of the 2024/25 Statement of Accounts process.
14	<p>Other land & buildings (DRC method): The council could not provide the floor plans to substantiate the GIAs used in arriving at the value of the buildings. The existing floor plans were not retained by the Council post-valuation. The GIAs are key inputs and without any evidence, the value of the assets could be materially misstated. The council should ensure that an appropriate Business Disaster Recovery Plan is in place. This will make certain that all updated floor plans are stored and</p>	<p>Year End Report to the Audit Committee for the year ended 31 March 2024</p> <p>(Audit Committee 13 February 2025)</p>	Director Finance & IT	Please see response [above]. The reference to Business Disaster recovery plan will be explored further with the External Auditor to better understand the specific risks that is this is seeking to address.	<p>Please see response to item 7 above.</p> <p>In addition, the associated floor plans will be adequately retained as part of the Council's more general business disaster recovery arrangements.</p>

	retained adequately for all the areas of buildings measured professionally				
15	<p>Related parties – out of date declarations: Two (2) councillors had out of date declarations and updates were not obtained in March 2021. This was then subsequently raised to the client and up to date declarations were obtained post-year end. There is a risk that transactions between related parties are not identified, disclosed and are not arm's length. We recommend that management should monitor the declaration process regularly to ensure that up to date declarations are obtained by year end.</p>	<p>Year End Report to the Audit Committee for the year ended 31 March 2024</p> <p>(Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>Please see response [above]</p>	<p>Please see response to item 11 above.</p>