

APPENDIX IV: RECOMMENDATIONS AND ACTION PLAN

CONCLUSIONS FROM WORK	RECOMMENDATIONS	MANAGEMENT RESPONSE	RESPONSIBILITY	TIMING
FINANCIAL STATEMENTS				

Actuarial Assumptions

From our discussions with management we have noted that management rely upon the work of the actuary in estimating the year-end pension liability and related accounting entries, and do not provide the level of detailed challenge which we would expect around the assumptions used. It is management's responsibility to ensure that appropriate assumptions are used by the actuary.

We recommend that going forwards management carry out sufficient work to satisfy themselves that the assumptions used by the actuary are appropriate, for example by providing challenge (and retaining evidence of this challenge), particularly where assumptions may fall outside of expected parameters. Evidence of this process should be retained.

In previous years we have challenged the Actuary over the assumptions used. We will re-introduce this challenge for future years.

Head of Finance Strategy

2014/15 Accounts close down process

Annual Leave Accrual

We found a number of issues with the Council's annual leave accrual, as follows:-

- For teachers, the Council has not taken into account that some teachers may have taken sick leave or maternity leave during the year, as required by the Code guidance
- The Council has not adjusted the accrual for teachers who left during the month of April, as required by the Code guidance
- For non-teachers, no adjustments have been made for overtime or other pay elements on which annual leave will not accrue
- For all staff, it has not been possible to fully reconcile the inputs to the accrual calculation back to payroll records although the unreconciled difference is not material and would result in a trivial movement within the provision.

We recommend that the Council reviews its methodology for calculating the employee annual leave accrual in future years to ensure that it is compliant with the Code and results in an estimate which is as accurate as reasonably possible.

The methodology for calculating the employee annual leave accrual will be reviewed in time for the 2014/15 close down of Accounts

Head of Finance Strategy

2014/15 Accounts close down process

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FINANCIAL STATEMENTS				
As a result, it is likely that the total accrual is misstated though the amount is not material.				
Heritage Assets				
<p>The Code requires authorities to disclose the policy for the acquisition, preservation, management and disposal of heritage assets, including a description of the records maintained by the authority of its collection of heritage assets and information on the extent to which access is permitted.</p> <p>Although the Council has made these disclosures in respect of its museum assets at Note 39, it has not made any disclosure in respect of other classes of heritage assets.</p>	<p>We recommend that the Council expands its disclosures in respect of the acquisition, preservation, management and disposals of heritage assets to cover all non-trivial classes of heritage assets.</p>	<p>Agreed</p>	<p>Head of Finance Operations</p>	<p>2014/15 Accounts close down process</p>
CONTROL ENVIRONMENT				
Related Party Transactions				
<p>We found that the Council relies entirely upon members and senior officers to declare related party transactions through the annual declaration process. There is no additional work carried out by management to ensure that declarations are complete.</p>	<p>We recommend that the Council considers implementing additional controls around the annual declaration process to gain assurance over the completeness of the related party transaction disclosure. For example, by carrying out Companies House searches on members and senior officers, reviewing website profiles for relevant information, or comparing returns with prior year declarations to identify any omitted transactions.</p>	<p>Agreed</p>	<p>Head of Finance Strategy</p>	<p>2014/15 Accounts close down process</p>
Council Tax and NDR - 10% Checking of Exemptions, Reliefs and Discounts				
<p>In previous years the Council has operated a 10% sample check of all new claims for Council Tax or NDR reliefs, exemptions and discounts.</p> <p>However, this check was only in place for five months of the current year and ceased in August</p>	<p>We recommend that management reviews the controls in place around new claims for exemptions, discounts and reliefs for both council tax and NDR to assess whether these remain appropriate. Ultimately this is a matter of management judgement.</p>	<p>Management reviewed the verification process and re-introduced the 10% check in April 2014</p>	<p>Head of Revenues & Benefits</p>	<p>In place</p>

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FINANCIAL STATEMENTS

2013.

Payroll - Employee Records

<p>During our substantive testing of payroll we found a number of matters relating to missing or inadequate documentation in respect of payments to or deductions from employees.</p> <p>Of 49 items tested:-</p> <ul style="list-style-type: none"> - There were two employees for whom there was no supporting evidence for union deductions - There was one employee for which there was no evidence on file for the employee's pension status (i.e. opted out). 	<p>We recommend that full payroll records are retained for all employees, and that additional payments or deductions are not authorised until such documentation is on file.</p> <p>If documentation relating to current employees is to be archived, the Council should ensure that this remains available for management or audit purposes.</p>	<p>Agreed</p>	<p>Operations Manager (Payroll)</p>	<p>December 2014</p>
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Payroll - HMRC Returns

<p>From our discussions with payroll we note that copies of HMRC returns are not retained by the Council. Since returns are now submitted electronically, notification of submission is emailed to the Payroll Operations Manager when submitted - however no copy of the actual return is retained.</p>	<p>We recommend that HMRC forms are printed and retained following electronic submission.</p>	<p>Management will review the practicality of this recommendation.</p>	<p>Operations Manager (Payroll)</p>	<p>December 2014</p>
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Payroll - Authorisation of Changes

<p>When examining Internal Audit's testing on permanent changes to payroll records (in particular changes to post and pay details), we noted that some of the people who were authorising the forms were not included on the payroll Authorised Signatory list.</p>	<p>We recommend that the Council continue the work they have started this year to cleanse and update the payroll authorised signatory list.</p> <p>Management may also wish to consider whether the current level of checking undertaken within the payroll department is sufficient to cover the risk of inappropriate authorisation of payroll changes.</p>	<p>Agreed</p>	<p>Head of Finance Operations</p>	<p>December 2014</p>
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FINANCIAL STATEMENTS

Timeliness of Reconciliations

During our systems work we noted that a number of key control reconciliations were not always being completed or reviewed on a timely basis, as follows:-

- Internal audit noted in March 2014 that the January 2014 housing benefit payment run reconciliation had not yet been carried out
- At the time of our systems audit (April 2014), we noted that the reconciliations of IWorld to Integra for Council Tax for January, February and March 2014 had not yet been reviewed (although they had been prepared)
- Four treasury reconciliations related to investments and long-term borrowing were not completed in September 2013 due to workload. The accounts were reconciled in October 2013.

We recommend that the Council reviews its key control reconciliation processes, to check that the frequency of the reconciliations is appropriate. Management may then wish to consider whether the current timetable for reconciliations is sufficient, or whether some reconciliations should be prepared or reviewed on a more timely basis.

Agreed

Head of Finance Operations

December 2014

Interests in companies and other entities

Medway has not yet met the requirements of the Harbours Act 1964 and should prepare the standalone statement of accounts for the financial periods ended 31 March 2013 and 31 March 2014 to enable us to meet the audit requirements to prepare a report to the Secretary of State for Transport to accompany the annual statement of accounts relating to harbour activities as submitted by Medway Harbour Authority as required by the Harbours Act 1964.

Officers should ensure the requirements of the Harbours Act 1964 are met.

Management are currently seeking clarification from the Department for Transport whether the statement of accounts must be audited. Previous advice received from the department is that as the Medway Harbour Board is a small entity and therefore an audit is not required

Head of Finance Strategy

December 2014