

# CARLISLE CITY COUNCIL

Report to:- The Mayor and Members of The City Council

Date of Meeting:- 27 April 2006

Agenda Item No:-

6

Public	Policy	Delegated Yes	
<b>Accompanying Comments and Statements</b>		<b>Required</b>	<b>Included</b>
Environmental Impact Statement:		No	No
Corporate Management Team Comments (SMT)		Yes	Yes
Financial Comments:		Yes	Yes
Legal Comments:		Yes	Yes
Personnel Comments:		No	No
Impact on Customers:		No	No

**Title:-** ANNUAL AUDIT AND INSPECTION LETTER 2004/05  
SECTION 11 RECOMMENDATION

**Report of:-** The Town Clerk and Chief Executive

**Report reference:-** CE08/06

## Summary: -

The Annual Audit and Inspection Letter for 2004/05 has now been received from the Audit Commission and is attached.

Section 11 of the Audit Commission Act 1998 enables the District Auditor to make a written recommendation to a Council which must be formally considered in public and responded to within one month of issue.

The annual Audit and Inspection letter for 2004/05 includes a Section 11 recommendation, which is required to be debated by the Council at a meeting within one month of it being sent. The Council then has to respond to the District Auditor with decision as soon as practicable after the meeting.

The District Auditor's recommendation is as follows:

"Carlisle City Council should improve its financial management arrangements and systems of internal controls, in order that it is able to prepare financial statements which are free from material error and demonstrate proper stewardship of public money".

**Recommendation: -**

1. The Council notes the recommendation made by the Audit Commission at paragraph 4 of the letter.
2. In order to respond fully to the concerns which have been raised, the Council:
  - (a) Reiterates commitment to the Action Plan approved by the Accounts Committee on 7<sup>th</sup> March, annexed to Report FS48/05 submitted with the agenda papers, to address the matters raised by the District Auditor and instructs the Town Clerk and Chief Executive to ensure that all the actions in the plan are implemented fully in accordance with the timetable set out in the Plan.
  - (b) Supports the action of the Town Clerk and Chief Executive to commission an independent review of the authority's financial management arrangements by the Institute of Public Finance, with a view to identifying where improvements are required to be made and considering the implementation of such improvements as soon as practicable.
  - (c) Reiterates earlier decision that officers draw up terms of reference for a fully operational Audit Committee for submission to Council for approval on 2nd May so that, subject to the terms of reference being approved, the authority will have in place a functioning Audit Committee from the commencement of the Municipal Year on 22nd May next so as to provide a robust forum for the future consideration by members of issues such as those raised by the District Auditor in her recommendations.

**Contact Officer:** Maggie Mooney

**Ext:** 7001

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

Audit Commission Report on the 2004/05 Financial Statements to the Accounts Committee 15<sup>th</sup> February 2006.

Minutes of the Accounts Committee 15<sup>th</sup> February 2006.

Reports FS48/05; FS49/05.

Minutes of Accounts Committee 7<sup>th</sup> March 2006.

To: The Mayor and Members of  
The City Council  
27 April 2006

CE08/06

ANNUAL AUDIT AND INSPECTION LETTER 2004/05

**1. INTRODUCTION**

- 1.1 The Annual Audit and Inspection Letter for 2004/05 has now been received from the Audit Commission and is attached.
- 1.2 The Letter includes a Section 11 recommendation, which is required to be debated by the Council at a meeting within one month of it being sent, and the Council then has to respond to the District Auditor with its decision as soon as practicable after the meeting. The Director of Legal and Democratic Services has provided more information on this in Section 2 below.
- 1.3 The issues that have given rise to the Section 11 notice being issued are dealt with in more detail in Section 3 of the report.

**2. AUDIT COMMISSION ACT 1998**

- 2.1 The Annual Audit and Inspection Letter for 2004/5 contains a specific recommendation in paragraph 4 referred to as a "Section 11 recommendation". This derives from powers in Section 11(3) of the Audit Commission Act 1998 enabling the Audit Commission to make written recommendations to the Council in respect of specific matters which the Council is required to consider and the Auditor has exercised this power in this particular instance. The recommendation which is being made to the authority is set out in paragraph 4 of the letter and is that:-

"Carlisle City Council should improve its financial management arrangements and systems of internal controls, in order that it is able to prepare financial statements which are free from material error and demonstrate proper stewardship of public money".
- 2.2 The full Council has a duty under the Act to consider the Auditor's recommendation at a meeting, which must be held within one month of the day on which the recommendation was sent by the Auditor to the Council. At that meeting, the Council must decide whether it accepts the Auditor's recommendations and what, if any, action to take in respect of the recommendations. The Auditor may extend the one month deadline and allow more time for the Council to consider the recommendations if the District Auditor is satisfied that it is reasonable to do so.

- 2.3 The duty to consider the Auditor's recommendations under Section 11 falls on the full Council and the function cannot be delegated to any other Committee or body.
- 2.4 There are special provisions under the Audit Commission Act 1998 in relation to the Council meeting at which the Auditor's recommendations are to be considered and the action to be taken thereafter. These provide for: -

At least seven clear days before the meeting, a notice must be published in a newspaper circulating in the area setting out the time and place of the meeting, indicating that the meeting is to be held to consider an Auditor's recommendation and describing the subject matter of the recommendation.

Following the meeting, the authority must as soon as practicable notify the Auditor of decisions and must publish in a newspaper circulating in the area a notice which has been approved by the Auditor containing a summary of the decisions which it has made.

- 2.5 The Council, therefore, will be required to ensure that the statutory provisions set out above are complied with in respect of the Auditor's recommendations in her Annual Audit and Inspection Letter.

### **3. AUDIT OF 2004/05 ACCOUNTS – PROGRESS TO DATE**

- 3.1 The Section 11 notice has arisen from the Audit of the 2004/05 Accounts. The full details of the issues raised by the Audit Commission in relation to the 2004/05 Accounts are set out in their report 'Report on the 2004/05 Financial Statements to the Accounts Committee', which the Audit Commission presented to the Accounts Committee on 15th February. The report referred to is included on the agenda as background paper (i).
- 3.2 In response to that report, the Accounts Committee resolved:
- (i) That the Audit Commission report be accepted.
  - (ii) That the Director of Corporate Services revises (within the next three weeks) the Councils accounts to take account of the adjustments including those relating to the 2003/04 accounts.

- (iii) That the Director of Corporate Services be requested to report further to the Committee on progress with the Bank Reconciliation together with an action plan to address the areas of concern identified by the Audit Commission.
- (iv) That the Auditors initially raise any further matters arising in concluding the audit and which required reporting with the Chairman and Vice Chairman of the Accounts Committee.
- (v) That a further meeting of the Accounts Committee be held on Tuesday 7<sup>th</sup> March 2006 at 2pm to review progress.
- (vi) That the City Council be requested to instruct Officers to investigate the manner by which the Council should discharge future governance responsibilities relative to the financial statements of the Council and whether that could be done through an Audit Committee or similar mechanism, and that the Council agree to delegate to the Accounts Committee the task of drawing up suitable terms of reference for an Audit Committee and report thereon back to the Council as soon as possible

3.3 In response to the above resolution, the following reports of the Director of Corporate Services were considered by the Accounts Committee on 7<sup>th</sup> March:

- Statement of Accounts 2004/05 – Progress and Action Plan (Report reference FS 48/05). This report is attached as background information paper (ii)
- Bank Reconciliation – Progress Report (Report Reference FS 49/05). This report is attached as background information paper (iii).

3.4 The Minutes from the Accounts Committee on 7<sup>th</sup> March including the Auditors response to the reports and in particular the Action Plan to address the issues raised are attached as background information number (iv). At that meeting, the Audit Commission stated that they were satisfied with the proposed response to the recommendations made for improving the final accounts reporting procedures and with the proposals that it is monitored by the Management Team. There were a few issues not picked up by the plan, principally the addition of the Internal Audit work programme into the Action Plan, which has now been done. The other issues raised in relation to the monitoring of variances against budget and the action taken in response to correct the position, it was agreed would be dealt with as part of the Use of Resources Action Plan which is currently being prepared in response to the Audit Commission judgement on the Use of Resources. The updated action plan is attached.

- 3.5 In addition to the Action Plan, the Town Clerk and Chief Executive has commissioned a review by the Institute of Public Finance to undertake an independent review of the Council's financial management arrangements. The details of this were reported to the Accounts Committee on 7<sup>th</sup> March, as set out in the Minutes. The review will start in April and the Institute of Public Finance will report in June 2006.
- 3.6 The amended Statement of Accounts for 2004/05 (refer to paragraph 3.2 (ii) and FS48/05) was provided to the Audit Commission on 27<sup>th</sup> February. Further queries have recently been received and responded to and the Audit Commission is currently reviewing these.
- 3.7 Work to resolve the problems with the ongoing reconciliation of the new bank reconciliation system (refer to paragraph 3.2(iii) and report FS49/05) are still being given top priority. A series of discussions have taken place with the supplier and they have accepted that some additional development work on the system is required to redress the issues raised and the ongoing problems experienced in achieving a balanced position. The suppliers are currently on site to 'relaunch' the system from 1<sup>st</sup> April 2006.
- 3.8 In terms of resolution (vi) from the Accounts Committee on 15<sup>th</sup> February (paragraph 3.2 (vi)), Council on 7<sup>th</sup> March instructed that terms of reference for a proposed Audit Committee be prepared and submitted to Council on 2<sup>nd</sup> May for consideration and, if satisfactory, adoption by the authority. This report will be considered by the Accounts Committee on 19<sup>th</sup> April and Council on 2<sup>nd</sup> May.
- 3.9 The estimated additional cost of the Audit Commission work can be met from base budgets in 2005/06, principally from savings within other areas of the audit fee together with staff vacancy savings in Financial Services.

#### **4. RECOMMENDATIONS**

- 4.1 The Council notes the recommendation made by the District Auditor at paragraph 4 of her letter.
- 4.2 In order to respond fully to the concerns which the District Auditor has raised, the Council:
- (a) Reiterates commitment to the Action Plan approved by the Accounts Committee on 7<sup>th</sup> March, annexed to Report FS48/05 submitted with the agenda papers, to



address the matters raised by the District Auditor and instructs the Town Clerk and Chief Executive to ensure that all the actions in the plan are implemented fully in accordance with the timetable set out in the Plan.

- (b) Supports the action of the Town Clerk and Chief Executive to commission an independent review of the authority's financial management arrangements by the Institute of Public Finance, with a view to identifying where improvements are required to be made and considering the implementation of such improvements as soon as practicable.
- (c) Reiterates earlier decision that officers draw up terms of reference for a fully operational Audit Committee for submission to Council for approval on 2nd May so that, subject to the terms of reference being approved, the authority will have in place a functioning Audit Committee from the commencement of the Municipal Year on 22nd May next so as to provide a robust forum for the future consideration by members of issues such as those raised by the District Auditor in her recommendations.

MAGGIE MOONEY  
Town Clerk and Chief Executive

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**Date of latest amendment: 12/04/06**

**Key :Green = actioned**

## **STATEMENT OF ACCOUNTS - ACTION PLAN**

Key to Audit Commission reports:

- 1 Report on the 2004/05 Financial Statement to the Accounts Committee (February 2006)
2. Core Process Audit – Interim Report (July 2005)
3. Review of Financial Statements 2003/04 (November 2004)

Ref	Issue	Audit Commission Recommendation	Action	Risk (H/M/L)	Resp/ Timescale
1	Draft Unadjusted (non-trifling) misstatements (See Appendix 2 to Audit Commission Report No 1)	To request the Accounts Committee to decide as to whether the adjustments are to be made.	The non-material misstatements have now been adjusted including those identified in the 2003/04 accounts as per members' request at the Accounts Committee on 15 <sup>th</sup> February 2006. The amended statements will be submitted to the Audit Commission on 27 <sup>th</sup> February. It is proposed that in future all non-material as well as material misstatements will be amended.	Low	27/2/06 ■ Chief Accountant (CA) - Submitted on 27/02/06
2	Draft Adjusted material misstatements:- (See Appendix 3 to Audit Commission Report No 1)	To make the adjustments in the 2004/05 Accounts.	The material misstatements have now been adjusted and the amended statements will be submitted to the Audit Commission on 27 <sup>th</sup> February.	Low	27/2/06 ■ CA - submitted on 27/02/06
3	Flooding (See Report No. 1 page 6)		The adjustments for 2004/05 have been made as included in 2 above.  The issue is being left on the action plan as the flood work is a significant factor in the 2005/06 closedown and it will be monitored carefully to ensure the year end adjustments are accounted for correctly in 2005/06.	Medium	May 2006  CA – now incorporated into and will be monitored as part of the detailed final accounts timetable



Ref	Issue	Audit Commission Recommendation	Action	Risk (H/M/L)	Timescale
4	Cashflow Statement – as set out in the Audit Commission Report No 1, adjustments of £4m have been required to the 2004/05 statement. The nature of the adjustment has been a recurring issue (see recommendation 50 of Report No 3).		The adjustments have been made in the 2004/05 accounts as set out in 2 above. The completion of this statement is being given increased priority for 2005/06. Discussions are taking place with Civica our financial information system supplier to try to produce system reports, which should reduce the considerable manual effort involved in this task.	High	May 2006  Chief Accountant/ Development & Support (D&S)
5	Fixed Asset Valuations – as set out in the Audit Commission Report No 1, adjustments of £2m have been required to the 2004/05 statement. The nature of the adjustment has been a recurring issue (see recommendation 14 of Report No 3).		The adjustments have been made in the 2004/05 accounts as set out in 2 above. Discussions are underway with the Property section to improve this area of work for the 2005/06 Accounts and in particular the maintenance of the Fixed Asset Register. A Property database is under development. A specific action plan for this area of work will be developed.	High	May 2006 CA – meeting took place 14/03/06 with Corporate Director/ Property staff
6	Bank reconciliation – as set out in the Audit Commission Report No 1, para 10, No 2, para R6 & R7, and No. 3 para 26.	To complete the reconciliation on a monthly basis. Also see recommendation R6 and R7 of Report No 2.	A decision on the 2004/05 reconciliation is awaited from the Audit Commission. The bank reconciliation to December 2005 is complete. Work has continued on the January rec. and is now being carried out on the February 2006 rec. This work will continue to be given top priority within the workload of the section. Monthly reconciliation's are being carried out.	High	Monthly ongoing
7	Quality of supporting working papers – as set out in the Audit Commission Report No 1 para 12 & 13, No. 2 para R5, R8, R14 and No. 3 page 3. Delays in receiving some information – as set out in the Audit Commission Report No 2, recommendation R14 and 16.	A senior member of the finance team, unconnected with the preparation of final accounts working papers should undertake and evidence a quality review before the information is presented for audit. This review should also be undertaken for other financial information to ensure errors such as that found in opening balances are identified and corrected.	The working papers identified during the previous year's audit to be improved have been improved. Confirmation from the Audit Commission on the number of working papers that require improvement following the completion of the 2004/05 accounts is awaited. Additional training for staff across the Council will be provided to improve the standard of working papers and supporting evidence across the Council. This training will become an integral element of the Management Dev. Training programme. A senior member of the finance team will undertake a quality check of working papers.	High	May 2006 IPF interim accountant will review final account working papers. Start 19 April 2006. Head of FS &

					RBS will also quality check.
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Ref	Issue	Audit Commission Recommendation	Action	Risk (H/M/L)	Timescale
8	Priority given to preparing the financial statements by senior management – as set out in Audit Commission Report No 1 para 15, 16 & 17 and No. 2 para R5 & R14.	Higher priority to final accounts work should be given.	Re-engineering of the closedown process will continue and the time allocated to closing down the service department budgets, the carry forward requests and reporting this to Members will be reduced. This time will be used to apply the technical accounting aspects of the SORP in preparing the statutory statements. Service managers have already been made aware on a number of occasions that they will not be given any extra time to get their year end adjustments to finance staff – thus allowing the timetable to be strictly adhered to. The timetable will be monitored by SMT and SFPG.	High	March 2006 and ongoing Director of Corporate Services (DCS) Agenda item SFPG & SMT until resolved CA – 2005/06 timetable issued on 10/03/06
9	Late closure of accounts Audit Commission Report No 1 para 13, 15, 16 & 17, No. 2 R15 & R21 and 3 page 3.		SMT and SFPG will regularly monitor the audit process. In addition, Members of the Accounts Committee will be updated on progress. It is considered that the first update could take place in April following the receipt of the Interim Audit Commission report due in April 2006.	High	April 2006 and ongoing As above

Ref	Issue	Audit Commission Recommendation	Action	Risk (H/M/L)	Timescale
10	Resources allocated to financial reporting. AC Report No 1 para 17, & No 2 para R5, R14, R15, R21.		Additional resources have been recruited to help finance staff improve the position.  In addition support from IPF will be commissioned to provide an independent inspection and assurance of the Council's processes.	High	March 2006 HFS  Director of People, Policy and Performance
11	Management and update of the Financial Guide needs to be reviewed to ensure that it reflects current financial and accounting and budgetary arrangements, and the Financial Services duties and responsibilities list should be brought up to date to reflect revised/new changes brought about by the new ledger system, staff changes and team structures. AC Report No.2 R3.	Full systems documentation and procedure manuals for the new financial management system to be prepared as set out in Audit Commission Report No 2, recommendation R3.	Work on these has taken place during the year. Debtors and creditors systems are complete. Further work will be carried out. Additional temp resources - New Post request - went to Staffing Forum 06/03/06 to assist with this task. Secondment likely to be effective only after the Bank Rec improvements have been delivered?	Medium	May 2006  Director Corporate Services/ HFS
12	Weakness was found with the quality of supporting documentation and review for journal entries. Reports 1 para 11-17, No 2 R8, R14, R16 & No. 3 page 3.	Journal authorisation, documentation and evidence of review needs to be improved.	Procedures have been reviewed and implementation is underway. Journal entries are not currently authorised by a senior member of staff, and from 2006/07 this will be done.	Low	April 2006 CA – revised procedures being reviewed
13	System amendment controls. AC Report 2 R9.	Exception reports should be run detailing all unusual attempts to access IT systems.	The reports that require to be produced will be discussed with the Head of ICT. A fundamental review of IT security is already underway.	Medium	May 2006 Head of ICT

Ref	Issue	Audit Commission Recommendation	Action	Risk (H/M/L)	Timescale
14	Internal Audit recommendations concerning virements have not been implemented. AC Report 2 R11.	Internal Audit recommendations on virements to be implemented as soon as possible.	This recommendation relates to internal processing procedures - these have been drafted and await approval and dissemination by the Chief Accountant.	Medium	March 2006 CA – draft procedures produced and under review
15	Not all budget monitoring reports show gross income and expenditure they show net expenditure. AC Report 2 R12.	Budget monitoring reports to the Executive should show gross income and expenditure, as showing only the net position can mask variances.	Plans in place to produce gross figures in Best Value Accounting Code of Practice format. Resources can be allocated to this once the backlog of work is fully cleared on the bank reconciliation problems.	Medium	June 2006 HFS
16	2003/04 interim report recommendations relating to budgetary control have not yet been fully implemented, inc the extension of budget monitoring reports to cover all revenue and balance sheet accounts as well as forecast outturn. Report 2 R13.	Audit recommendations should be regularly reviewed to ensure that all areas are addressed.	This requirement involves a significant resource and discussions are taking place with Civica to assist in the process.	Low	June 2006 HFS
17	Absence in the closedown plan of a risk assessment to identify high risk tasks. Start dates, lead times or timescale requirement not set out. No provision for a review of progress by Head of Finance included. Report 2 R15.	Improvements should be made to the closedown process to include a risk assessment, time allocations for tasks, and a review of working papers by the Head of Finance. Overall responsibility for each task should be clearly allocated to one member of staff.	Closedown plan has been sent out which identifies high risk areas. These may change as time passes. This will be considered as part of the Monitoring process.	Medium	March 2006 CA – incorporated into detailed final accounts timetable – issued on 23/03/06

Ref	Issue	Audit Commission Recommendation	Action	Risk (H/M/L)	Timescale
18	Delays in receiving some of the information needed for the interim visit – specifically: Most recent monitoring reports and control accounts reconciliations Notes detailing any changes to key personnel, control and systems. Closedown documentation. AC Report 1 para 11-17 , No.2 R16, & 3 page 3.	Future interim visits should begin with the receipt of the working papers detailed.	The delays last year were caused by the impact of the flood. In future the Interim report papers will be provided as required. Timely receipt of the interim audit work is essential for the actions to be incorporated in the Accounts.	High	April 2006 CA
19	The links between the quality of the final accounts and working papers and the judgements necessary for our Use of Resources work should be considered by the authority. AC Report 2 R20.	The authority should consider the links between the quality of the final accounts and working papers and our Use of Resources work later in the year.	Use of Resources Action Plan will be finalised and monitored/implemented now that we have Audit Commission feedback - March 2006. Project Manager has been appointed. Action plan to be completed for SMT 18 April.	Medium	April 2006. DCS/ HFS



Ref	Issue	Audit Commission Recommendation	Action	Risk (H/M/L)	Timescale
20	<p>The control value for the customer advice centre is £940k. The project consists of a mix of consultancy services alongside the provision of software and IT hardware products. However, the contract documentation whilst listing in detail the key outputs of the project does not assign financial values to the various elements of the contract. In order to facilitate the subsequent capitalisation and disclosure of project costs within the financial statements and asset records, as well as the calculation of capital charges (depreciation and interest), arrangements will therefore need to be established to assign valuations/fair values to individual assets or groups of similar assets and other elements of the project in accordance with the requirements of the SORP and capital accounting guidelines.</p> <p>AC Reports 1 Appendix 2&amp;3 &amp; Report 3 14 &amp; 22 Report 2 R18.</p>	<p>Establish arrangements to facilitate assignment of valuations/fair values to assets and other elements of the project in accordance with the requirements of the SORP and capital accounting guidelines.</p>	<p>This ties in to recommendation 4 and was a significant issue in the 2004/05 accounts and contributed to the delay. Information has been passed to the Audit Commission in February 2006 and we are awaiting confirmation of their acceptance of the information provided. See summary action plan report to SMT for 05/06 implications and actions.</p>	High	<p>Feb 2006 CA – awaiting Auditor's confirmation</p>

Ref	Issue	Audit Commission Recommendation	Action	Risk (H/M/L)	Timescale
21	Leisure services were transferred to Carlisle Leisure Limited in 2002/03 however no adjustments have been made to the carrying value of leisure assets in 2002/03 or 2003/04. This includes both property assets and equipment. AC Report 3 para 22.	Evidence compliance with FRS5 and SORP requirements regarding asset recognition and carrying value of leisure assets.	Ties in to recommendation number 4. This has not been raised as an issue on the 04/05 report but it has not yet been corrected and so will be addressed as part of the 2005/06 closedown arrangements	Low	May 2006 CA - now incorporated into detailed final accounts timetable
22	Adjustments are required to debtors and creditor balances included in the balance sheets and supporting notes in order to address errors identified during the course of our audit. AC Reports 3 para 27	WGA will add to the importance of disclosures made in respect of inter authority debtor and creditor balances. This is likely to include the requirement to agree invoiced and accrued balances with other relevant bodies. In the run up to implementation of WGA the Authority should therefore ensure that appropriate arrangements are in place to ensure efficient access to the information required to both meet existing disclosure the requirements and the requirements of the WGA process.	Arrangements were put in place for 2004/05 to identify Whole of Government Accounts (WGA) counter parties and year-end balances. WGA is a significant new requirement and as such carries a high risk. The Audit Commission is required to audit this area from 2005/06 and have proposed fee scales for this additional work. The fee for Carlisle is proposed at a maximum of £3,000. It is anticipated that as a high risk area this will be reported on as part of the Interim Audit report due in April. Further work is planned as part of the 2005/06 closedown timetable to identify in year transactions as well as year-end balances with counter parties. Assistance is being sought from Civica our financial information supplier to provide relevant reports, which will assist in the analysis, and reporting of this area of work.	High	May 2006 CA - now incorporated into detailed final accounts timetable. Separate meeting to be arranged to discuss exact requirements
23	PRTB receipts will be 100% useable although there is an expectation that the PRTB receipts would be spent in ways that helps deliver the Authority's housing strategy. AC Report 3 para 26.	Confirm the existence of a clear strategy for the use of PRTB receipts consistent with the expectations of the ODPM.	The use of the PRTB receipts is applied towards the achievement of sustainable communities. Officers from Housing Policy and Finance will develop a draft strategy for clarification in the 2006/07 Capital Strategy, which will be submitted for approval by full Council in June 2006, following consideration by the Executive and CRO&S	Medium	May 2006 Head of FS

Ref	Issue	Audit Commission Recommendation	Action	Risk (H/M/L)	Timescale
24	Annual commitment under operating leases. No working papers were included in closedown file to support the SSAP 21/SORP disclosures made in respect of annual commitments under (non-cancellable) operating leases. AC Reports 1, Appendix 3 & No 3 para 47.	Complete analysis of operating lease commitments in support of disclosures made in note 3. Complete note 3 to reflect number of asset acquired through operating leases in 2003/2004.	This was actioned in the 2003/04's accounts. There was a further issue on the Refuse Collection vehicles, which were procured during 2003/04 raised during 2004/05. Details confirming our treatment of the leases have been passed to the Audit Commission and confirmation of acceptance of treatment is awaited.	Low	Feb 2006 CA – awaiting Auditor's confirmation
25	Full systems documentation for core systems (14 in total)		11 systems will be documented 2005/06 as agreed with AC, rising to 14 2006/07. 40 additional days has been built into the Internal Audit Strategic Plan for 2006/07 as agreed by CROS on 23 <sup>rd</sup> February.	High	March 2006 (first 11) March 2007 (14) Head of Audit Services/DCS