

**INTERNAL CONTROL DEFICIENCIES IDENTIFIED DURING 2014/15 AUDIT**

Deficiency	Recommendation	Management's Response
<p><b>Contract Register Completeness</b> A review of the top 20 suppliers verified that, where the expenditure was based on a contract, the contract appeared on the contract register.</p> <p>This testing identified 9 instances where a contact was expected but did not appear on the contract register.</p>	<p>The contract register should be reviewed to ensure it provides a comprehensive list of all contracts held.</p>	<p>Some of the gaps identified on the register relate to delegated services rather than specific contracts.</p> <p>A review on the contract register alongside analysis of spend in order to cross match is currently being undertaken.</p> <p>Officers have received guidance on the completion of contract documentation and the register in order to improve compliance.</p> <p>The identified gaps will be addressed by Oct 2015</p> <p>Responsible Officer: Solicitor to the Council</p>
<p><b>Related Party Transactions</b> Two entities were identified as related parties that had not been disclosed by Councillors on their declaration forms. Testing of these entities identified transactions had arisen between the entities and the Authority. Expenditure of £24,140.83 occurred with Melton Learning Hub and £6,137 occurred with Melton Mencap.</p>	<p>The Authority should perform checks to validate the completeness of the disclosures made by the Councillors. This will support the previous year recommendation to remind Councillors of the importance of providing a complete listing of all related parties.</p>	<p>The finance team followed the guidance provided by external audit when liaising with Councillors over the provision of information around related parties.</p> <p>Officers will liaise with the relevant Councillors to go through the disclosure points found during Oct 2015.</p> <p>Responsible Officer: Central Services Manager</p>

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<p><b>Property, Plant and Equipment (PPE) Valuation Supporting Documentation</b></p> <p>When agreeing PPE valuations to input data, we experienced difficulties in agreeing input data in the valuation reports. This arose for a number of reasons including:</p> <ul style="list-style-type: none"> <li>- Site plans are not maintained in a central location.</li> <li>- Inputs into calculations are rolled forward from previous valuations without validation.</li> <li>- Valuer judgements are used in the calculations without a formal document being produced to explain the percentage being applied.</li> </ul>	<p>Valuation sheets should be supported by a complete audit that demonstrates how each input has been calculated.</p>	<p>Valuations will provide more detail and supporting evidence in the future. These will be held in the asset valuation folder.</p> <p>Formal valuations will be completed where appropriate for the 2015/16 accounts.</p> <p>Responsible officer: Corporate Property Officer</p>
<p><b>Property, Plant and Equipment (PPE) Valuation Methodology</b></p> <p>Our internal valuation team performed a review of the valuation methodology applied by your internal Valuer. It was noted that:</p> <ul style="list-style-type: none"> <li>- The valuation methodology used by the internal valuer makes reference to out-dated valuation standards.</li> <li>- The discount applied to social housing was not subject to review before applying in the valuation calculation.</li> </ul>	<p>The valuations performed should reference the latest methodology to ensure that the most up to date methods are applied.</p> <p>The valuation approach should also include annually reviewing key inputs into the calculation, such as the social housing discount factor, to establish if local factors would prevent the national index being accurately applied.</p>	<p>Officers will ensure valuation methodologies applied will refer to up to date valuation standards.</p> <p>A review of the local housing market will be undertaken as part of the valuation process to check if there are adjustments required for the social housing discount factor. This will be undertaken for the 2015/16 accounts.</p> <p>Responsible Officer: Corporate Property Officer</p>