



**ISSUES ARISING REPORT FOR
Leeswood Community Council
Audit for the year ended 31 March 2016**

BDO

Introduction

The following matters have been raised to draw items to the attention of Leeswood Community Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2016.

The audit of the annual return may not disclose all shortcomings of the systems as some matters may not have come to the attention of the auditor. For this reason, the matters raised may not be the only ones that exist.

The matters listed below are explained in further detail on the page(s) that follow;

- Budgetary Process
 - No engagement letter with internal auditor
 - Minuting approval of annual return
 - Accounts not certified in accordance with Accounts and Audit (Wales) Regulations 2014
 - Internal Auditor's recommendations
 - Precept request
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The following issue(s) have resulted in the annual return being qualified. They indicate a weakness in the body's procedures and require the body to take immediate action.

Accounts not certified in accordance with Accounts and Audit (Wales) Regulations 2014

What is the issue?

The Council failed to approve Section 1 of the Annual Return ("the accounts") by the statutory deadline of the 30 June at a meeting of the whole Council.

Why has this issue been raised?

This is a breach of regulation 15, paragraph 2a of the Accounts and Audit (Wales) Regulations 2014 which states that the accounts shall be certified by the members meeting as a whole before the 30 June immediately following the end of a year.

What do we recommend you do?

The council must ensure in future years that the accounts are approved and signed as approved, at a meeting of the council meeting as a whole, before the 30 June immediately following the end of a year.

Further guidance on this matter can be obtained from the following source(s):

Accounts and Audit (Wales) Regulations 2014 - legislation.gov.uk website

The following issue(s) have been raised to assist the body in improving its internal controls or working practices. The body is recommended to consider these but is under no statutory obligation to act upon them.

No engagement letter with internal auditor

What is the issue?

The council have been unable to provide a copy of an engagement letter with the internal auditor. The engagement letter should be provided by the internal auditor on initial appointment and updated periodically.

The engagement letter should agree the expectations of the two parties and should include the following:

- roles and responsibilities
- audit planning, scope and timing
- reporting requirements
- assurance around independence and competence
- access to information, members and officers
- remuneration

Why has this issue been raised?

In the absence of such a letter or similar document, the council cannot be certain that the internal auditor will fully meet their expectations and comply with the requirements of the Accounts and Audit Regulations. The engagement letter confirms expectations of the internal auditor and the council.

What do we recommend you do?

The council must ensure that an engagement letter or similar document is agreed prior to the commencement of the appointment for the next audit year. The letter or document should as a minimum set of the scope of the assignment to ensure all parties concur.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in Wales - A Practitioners' Guide, OVW/SLCC

The following issue(s) have been raised to assist the body. The body is recommended to take action on the following issue(s) to ensure that the body acts within its statutory and regulatory framework.

Budgetary Process

What is the issue?

Although a precept was set by the due date and a budget was prepared the council did not undertake adequate budget monitoring during the financial year.

Why has this issue been raised?

The council has potentially demonstrated a lack of financial control over the spending and receipt of public money and were exposed to the risk of overspending.

What do we recommend you do?

The council must regularly review, and ensure this review of the budget against the actual income and expenditure is minuted. We recommend that the council monitors the budget at least quarterly or more frequently if required. The amount of budget monitoring undertaken during the year will depend upon the size of the council and the complexity of its finances.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in Wales - A Practitioners' Guide, OVW/SLCC

Minuting approval of annual return

What is the issue?

The minutes supplied did not specifically minute the council's approval of the Accounting Statements and the Annual Governance Statement and the yes/no answers therein.

Why has this issue been raised?

Failure to minute the approval of the Statement of Accounts and the Annual Governance Statement has exposed the council to undue risk of non adoption of the Annual Return.

What do we recommend you do?

The council must ensure in future years that the minutes clearly state its acceptance of Accounting Statements and the Annual Governance Statement and the minutes record their specific answers to the Annual Governance Statement.

It is essential that minutes clearly record the decisions of the council as they are the lawful record of the events of the council meetings.

Further guidance on this matter can be obtained from the following source(s):

Local Council Administration, 8th Edition, Charles Arnold-Baker; Chapter 7

Internal Auditor's recommendations

What is the issue?

The internal auditor has noted some weaknesses in the financial systems of the council.

Why has this issue been raised?

The council is exposed to the risks associated with these weaknesses.

What do we recommend you do?

The council must implement the recommendations made by the internal auditor to improve the financial systems of the council as soon as possible or in any event before the end of the current financial year.

If the council addresses all the issues raised by the internal auditor the council should improve internal controls which will help to prevent and detect error and fraud and assist the council to operate in an effective and efficient manner.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability in Local Councils in Wales - A Practitioners Guide, OVW/SLCC

Precept request

What is the issue?

Although a precept was set by the due date and a budget was prepared the council did not minute, as evidence, the actual amount of the precept requested from the billing authority.

Why has this issue been raised?

The council could be criticised as it may have contravened Para 50(1) of the Local Government Finance Act 1992 which states that every council must make calculations to decide upon a precept figure, as it has no evidence that it did prepare and accept a budget.

What do we recommend you do?

The council must ensure the review and acceptance of the budget is minuted and the amount of precept requested from the billing authority is clearly minuted, as the minutes are the lawful record of the events of its meetings.

Further guidance on this matter can be obtained from the following source(s):

Governance and Accountability for Local Councils in Wales - A Practitioners' Guide, OVW/SLCC

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: DRAFT
