# Issues Arising Report
# for Colney Heath Parish Council
# Audit for the year ended
# 31 March 2008

BDO

BDO Stoy Hayward

Introduction

The following matters have been raised to draw items to the attention of Colney Heath Parish Council. These matters came to the attention of BDO Stoy Hayward LLP during the audit of the annual return for the year ended 31 March 2008.

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;

- Risk Assessment
- Internal Auditor's recommendations
- Asset Register
- VAT Returns
- Restatement of Fixed Assets

**The following issues have resulted in the annual return being qualified. They indicate a weakness in the Councils procedures and they require the Council to take immediate action.**

**Risk Assessment**

*What is the issue?*

The risk assessment provided has been reviewed by the internal auditor who believes there are further risks the council need to consider.

*Why has this issue been raised?*

The council is at risk of breaching regulation 4 of the Accounts and Audit (Amendment) (England) Regulations 2006 which requires authorities to provide arrangements for the management of risk.

*What do we recommend you do?*

The council should review the risk assessment guide and examples on our extranet and, taking into consideration all of the points, review their current risk assessment.

The council should review their risk assessment at least annually and before the end of the financial year and minute this review. By ensuring the risk register is regularly reviewed and updated, and action taken where appropriate, the council will be able to ensure that they are undertaking adequate risk management procedures as required by the Accounts and Audit (Amendment) (England) Regulations 2006.

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

Governance and Accountability in Local Councils in England and Wales - A Practitioners Guide, NALC/OVW/SLCC
Local Council Briefing, Spring 2008 - BDOSH

**The following issues have been raised to assist the Council in improving their internal controls or working practices. The Council is recommended to consider these but is under no statutory obligation to act upon them.**

## Asset Register

*What is the issue?*

The council does not have an asset register.

*Why has this issue been raised?*

The council is at risk of not safeguarding its assets.

*What do we recommend you do?*

The council must compile an asset register as soon as possible or in any event before the end of the current financial year. This register should be verified by the internal auditor during the audit for the next financial year.

An asset register should be in existence to help ensure that the recorded value of assets and investments is, as far as possible, accurate and to ensure the council is safeguarding their assets. The accuracy of such a register should be verified by the Internal Auditor in their annual review of the internal controls of the council.

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

Governance and Accountability in Local Councils in England and Wales - A Practitioners Guide, NALC/OVW/SLCC
Local Council Briefing, Spring 2008 - BDOSH

**The following issues have been raised to assist the readers of the annual return. They require no action to be taken by the Council**

**Restatement of Fixed Assets**

*What is the issue?*

The comparative figure in box 9, total fixed assets, disclosed in Section 1 of the Annual Return does not agree to the audited Annual Return for the year ended 31 March 2007. The comparative figure in box 9 was restated and we have verified this figure. This restatement does not affect the balances carried forward into 2008.

*Why has this issue been raised?*

This is a note for the reader of the accounts.

*What do we recommend you do?*

No further action required.

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

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

**The following issues have been raised to assist the Council. The Council is recommended to take action on the following issues to ensure that the Council acts within its statutory and regulatory framework.**

### Internal Auditor's recommendations

*What is the issue?*

The internal auditor has noted a number of 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 England and Wales - A Practitioners Guide, NALC/OVW/SLCC

### VAT Returns

*What is the issue?*

The council have not submitted a VAT return to HM Revenue & Customs (HMRC) during the year.

*Why has this issue been raised?*

It is the council's responsibility to reclaim all the VAT, where applicable, to reduce the amount of precept claimed in any financial year. Failing to reclaim VAT is increasing costs paid by the council.

*What do we recommend you do?*

The council should submit regular (monthly, quarterly or annual) VAT returns to comply with VAT regulations. The council should ensure VAT claims are made at least once every three years as HMRC have now time limited reclaims of VAT to three years.

The council should contact HMRC for advice and submit all outstanding VAT returns as soon as possible. The council should produce a VAT internal control procedure which should be reviewed by the council's internal auditor.

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

Governance and Accountability in Local Councils in England and Wales - A Practitioners Guide, NALC/OVW/SLCC
Local Council Briefing, Spring 2008 - BDOSH

**No other matters came to our attention.**

For and on behalf of
BDO Stoy Hayward LLP

Date: 31 October 2008