Issues Arising Report
for Colney Heath Parish Council
Audit for the year ended
31 March 2009

BDO

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 LLP during the audit of the annual return for the year ended 31 March 2009.

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;

- Accounts not approved by 30 June 2009
- Internal Auditor's recommendations
- Risk Assessment
- Internal Audit Checks
- Fixed Asset Register
- Fidelity Guarantee

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.

Accounts not approved by 30 June 2009

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 2009.

A meeting was held within 20 working days after the statutory deadline to consider the approval of the accounts and the accounts were approved at that meeting.

Why has this issue been raised?

This is a breach of regulation 10, paragraph 4a of the Accounts and Audit (Amendment) (England) Regulations 2006 which states that the accounts shall be approved "as soon as reasonably practicable and in any event before 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, by the 30 June immediately following the end of the year.

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

Accounts and Audit (Amendment) (England) Regulations 2006 - Office of Public Sector Information website, (www.opsi.gov.uk/si/si2006/uksi_20060564_en.pdf)
Local Council Briefing, Spring 2009 - BDOSH

Risk Assessment

What is the issue?

The council did not undertake a risk assessment during the year ended 31 March 2009. The council have taken steps to assess the risks they face after the year end which has not been reviewed.

Why has this issue been raised?

This is a breach of regulation 4 of the Accounts and Audit (Amendment) (England) Regulation 2006 which requires authorities to provide arrangements for the management of risk.

What do we recommend you do?

The council must ensure a risk assessment is carried out annually before the end of the financial year. This risk assessment must be reviewed and minuted as evidence of the review being undertaken annually before the end of the financial year.

The council is subject to a number of risks, only some of which can be covered by obtaining adequate insurance. The assessment should cover all risks the council face. Other risks which may also be present and not covered by insurance are:

- Fraud and corruption
- Outsourcing of services
- Activities being outside legal powers
- Electors rights not being followed
- Improper expenditure under S137

The council should decide which risks it faces and how it is going to reduce the impact of these risks on the council's ability to provide its services. An example risk table is available on our extranet to assist the council in assessing and clarifying their risks. If the council decides to utilise this table then it should be reviewed in detail, modified and adapted to the council's specific needs. If you do not have access to the internet, contact us and we can supply you with a copy.

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.

Internal Audit Checks

What is the issue?

The Internal Auditor has not answered the following test(s) on Section 4 which we consider relevant to the council.

Asset and investment registers were complete and accurate and properly maintained.

Why has this issue been raised?

Failure to undertake these tests result in an incomplete internal audit being undertaken and the council could be exposed to risks in these areas.

What do we recommend you do?

The above tests should be carried out in future years by the Internal Auditor. The council should ensure he/she provides a full report to the council to ensure all the activities are properly carried out and recorded.

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

Fixed Asset Register

What is the issue?

The internal auditor has noted that the asset register is in need of updating.

Why has this issue been raised?

The fixed asset register may not contain all the information required by the council to ensure they are protecting their assets adequately.

What do we recommend you do?

The council must review its fixed asset register and ensure it is updated with the following information as soon as possible or in any event before the end of the current financial year;

- Date acquired
- Value at acquisition
- Location held
- Current valuation of asset

It is essential that the council reviews its fixed asset register, at least annually, and are satisfied that it correctly reflects the value of the council's assets.

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. 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

Fidelity Guarantee

What is the issue?

The council have reviewed the level of fidelity guarantee cover, however this still appears to be insufficient in light of the bank balances held at 31 March 2009 and the amount of precept then subsequently received in April 2009.

Why has this issue been raised?

A council, under S114 of the Local Government Act 1972, must take security as it considers sufficient in the case of any of its officers likely to handle its money. The council may decide that insurance is not 'sufficient' for them, but in order to come to this opinion they must have reviewed the requirement annually and they must have objective grounds for such a conclusion.

What do we recommend you do?

The council should consider the level of insurance cover and set it to a level that will protect the council against potential loss. The council should review the level of cover at least annually as circumstances may change throughout the year.

The amount should be sufficient to cover the maximum amount of money the council holds at any one time during the year. A council does not have to have fidelity guarantee insurance if it considers that no security is 'sufficient' but there must be objective grounds for such a conclusion. Smaller councils may decide therefore that the cost of this insurance is disproportionate to the risk involved. If this is so the council should minute this decision annually.

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

Local Council Administration, 7th Edition, Charles Arnold-Baker, Chapter 9.8
Governance and Accountability in Local Councils in England and Wales - A Practitioners Guide, NALC/OVW/SLCC

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 27 October 2009