Issues Arising Report
for Colney Heath Parish Council
Audit for the year ended
31 March 2010

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 2010.

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;

- Asset Register
- Bank reconciliations
- Internal Auditor's recommendations
- Expenditure Powers
- Fidelity Guarantee
- Internal Audit Checks

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

Expenditure Powers

What is the issue?

The council does not record the power they are relying upon when making expenditure.

Why has this issue been raised?

This exposes the council to the risk of making unlawful payments for one-off or unusual items.

What do we recommend you do?

The council should consider recording the statutory power being used to authorise expenditure in the minutes, alongside the item to demonstrate that the council has properly followed their standing orders and financial regulations. This is a statutory requirement for any payments made under S137 of the Local Government Act 1972.

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

NALC representative, NALC website - (www.nalc.gov.uk)

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

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.

Bank reconciliations

What is the issue?

Bank reconciliations were not performed and reviewed on a regular basis during the year.

Why has this issue been raised?

The council have not exercised control over their bank accounts during the year exposing them to the following risks;
- errors going undetected;
- misappropriation of cash; and
- lack of financial control of the finances.

What do we recommend you do?

The council must ensure that bank reconciliations are carried out on a monthly or quarterly basis.

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

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 2010 and the amount of precept then subsequently received in April 2010.

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: 14 September 2010