

ISSUES ARISING REPORT FOR
Colney Heath Parish Council
Audit for the year ended 31 March 2011

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 2011.

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;

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

The following issue(s) have been raised to assist the council in improving its 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's asset register does not contain some or all of the following information for each asset held;

- date acquired;
- purchase cost, and
- location held.

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 update its fixed asset register to include date acquired, purchase cost and location held of each asset held as soon as possible or in any event before the end of the current 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 its 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 - A Practitioners Guide, NALC/SLCC
Audit Briefing, Spring 2011 - BDO LLP

Asset Valuation

What is the issue?

The council have not included the value of all fixed assets on its annual return. There are assets on the asset register which have not been included on the return.

Why has this issue been raised?

The value of fixed assets could therefore be understated.

What do we recommend you do?

The council must include all fixed assets owned by the council in Section 1 of the Annual Return. This should be the value of all fixed assets recorded in the fixed assets register, measured at cost value. Assets comprise of land, buildings, plant and equipment, vehicles, etc property that will be of economic benefit to the council over a period substantially longer than one financial year.

Assets which are held as community assets such as playing fields which are not likely to be sold, war memorials etc should be included in the accounts at their historical cost or given a £1 value.

The cost value of assets is not expected to change unless an asset is ever disposed of or scrapped.

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

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

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 - A Practitioners Guide, NALC/SLCC
NALC representative, NALC website - (www.nalc.gov.uk)

The following issue(s) have been raised to assist the council. The council is recommended to take action on the following issue(s) 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 - A Practitioners Guide, NALC/SLCC

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 its 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 - A Practitioners Guide, NALC/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 2011.

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 it must have reviewed the requirement annually and 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 - A Practitioners Guide, NALC/SLCC

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 30 September 2011
