

**ISSUES ARISING REPORT FOR
Colmworth Parish Council
Audit for the year ended 31 March 2016**

Introduction

The following matters have been raised to draw items to the attention of Colmworth Parish Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2016. This report must be presented to a full meeting of the smaller authority for review.

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
 - Section 1
 - Accounting Statements approval
 - Minor issues
-

The following issue(s) have resulted in the annual return being qualified. They indicate a weakness in the council's procedures and require the council to take immediate action.

Risk Assessment

What is the issue?

The smaller authority has not carried out a risk assessment as part of its review of the effectiveness of internal control during the year but has stated this in its annual governance statement.

Why has this issue been raised?

This is a breach of regulation 4 of the Accounts and Audit Regulations 2015 which requires smaller authorities to review the effectiveness of internal control which includes arrangements for the management of risk.

What do we recommend you do?

The smaller authority must ensure that a risk assessment is carried out as part of its review of the effectiveness of internal control before the end of the financial year. This review of effectiveness of internal control and risk assessment must be reviewed and minuted as evidence of the review being undertaken annually before the end of the financial year. The review should be noted in the minutes and any adoption should be resolved by the smaller authority.

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

Section 1

What is the issue?

The smaller authority operated a separate bank account for the Colmworth Chronicle, however the account was not included as part of the smaller authority's systems which ensured that there was effective internal control and financial & risk management over this account during the year. The smaller authority have acknowledge the weakness in their systems by answering 'No' to Questions 1,2,3,5,6 & 8 in Section 1 of the annual return. The internal auditor has reported the following issues in respect of the Chronicle bank account:

- a. The smaller authority did not follow its financial regulations regarding a) the operation of a debit card b) only a single signature was used to authorise payments c) income & expenditure was not regularly reported to the smaller authority.
- b. The risk assessment failed to encompass the operation of the Chronicle account.
- c. The precept and budget were set without reference to the transactions on the Chronicle account
- d. There was a lack of periodic bank reconciliations on the account during the year

Why has this issue been raised?

1. The smaller authority have not applied the proper practices, Appendix 10 of The Practitioners Guide, relating to the authorisation of payments.

2. By excluding the Chronicle account from the risk assessment the smaller authority may have breached regulation 3© of the Accounts and Audit Regulations 2015 which states that system of internal control includes effective arrangements for the management of risk.

3. By excluding the Chronicle bank account from the budget & precept calculations the smaller authority has potentially demonstrated a lack of financial control over the spending and receipt of public money and was exposed to the risk of overspending. The smaller authority may also have contravened Para 50(1) of the Local Government Finance Act 1992 which states that every smaller authority must make calculations to decide upon a precept figure.

4. The lack of internal control due to the irregular nature of the bank reconciliation is a breach of regulation 4 of the Accounts and Audit Regulations 2015.

What do we recommend you do?

The smaller authority must ensure in the future that the Chronicle bank account is operated in accordance with its financial regulations, has regular bank reconciliations, and the transactions are reflected in the precept calculations for the next financial year.

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

The following issue(s) have been raised to assist the readers of the annual return. They require no action to be taken by the council.

Accounting Statements approval

What is the issue?

The smaller authority approved Section 2 of the Annual Return ("the accounting statements") on the 11 May but then re-approved the annual return at a later date, after the first working day of July. This is due to the smaller authority restating the figures for the inclusion of the Chronicle bank account which had not been included in the initial figures presented.

Why has this issue been raised?

This is a breach of the Accounts and Audit Regulations 2015.

What do we recommend you do?

The smaller authority must ensure in future that the RFO prepares the accounts, certifies them as correct, and then presents them to the smaller authority for approval. This must be done prior to the first working day of July to enable the RFO to commence the period of electors rights in accordance with the Regulations.

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

Governance and Accountability in Local Councils in England march 2016- A Practitioners Guide,
NALC/SLCC/ADA
Accounts and Audit Regulations 2015

The following issues have been raised as the comparatives have been changed.

Minor issues

What is the issue?

The following issue(s) has been raised as the comparatives have been changed:

The comparative figures disclosed in Section 2 of the Annual Return do not agree to the audited Annual Return for the year ended 31 March 2015. The comparative figures for the year ended 31 March 2015 were restated. We have reviewed the adjustments made and we are satisfied they are correct.

Why has this issue been raised?

This is raised to bring the matter to the attention of readers of the annual return.

What do we recommend you do?

No further action is required.

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

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 15 August 2016
