

**ISSUES ARISING REPORT FOR
Llanwern Community Council
Audit for the year ended 31 March 2016**

Introduction

The following matters have been raised to draw items to the attention of Llanwern Community Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2016.

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;

- Budgetary Process
- No engagement letter with internal auditor
- Responsible Financial Officer is a Councillor
- Internal auditor has not produced a detail report of work undertaken

The following issue(s) have been raised to assist the body in improving its internal controls or working practices. The body is recommended to consider these but is under no statutory obligation to act upon them.

No engagement letter with internal auditor

What is the issue?

The council have been unable to provide a copy of an engagement letter with the internal auditor. The engagement letter should be provided by the internal auditor on initial appointment and updated periodically.

The engagement letter should agree the expectations of the two parties and should include the following:

- roles and responsibilities
- audit planning, scope and timing
- reporting requirements
- assurance around independence and competence
- access to information, members and officers
- remuneration

Why has this issue been raised?

In the absence of such a letter or similar document, the council cannot be certain that the internal auditor will fully meet their expectations and comply with the requirements of the Accounts and Audit Regulations. The engagement letter confirms expectations of the internal auditor and the council.

What do we recommend you do?

The council must ensure that an engagement letter or similar document is agreed prior to the commencement of the appointment for the next audit year. The letter or document should as a minimum set of the scope of the assignment to ensure all parties concur.

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

Governance and Accountability in Local Councils in Wales - A Practitioners' Guide, Ovw/SLCC

The following issue(s) have been raised to assist the body. The body is recommended to take action on the following issue(s) to ensure that the body acts within its statutory and regulatory framework.

Budgetary Process

What is the issue?

Although a precept was set by the due date and a budget was prepared the council did not undertake adequate budget monitoring during the financial year.

Why has this issue been raised?

The council has potentially demonstrated a lack of financial control over the spending and receipt of public money and were exposed to the risk of overspending.

What do we recommend you do?

The council must regularly review, and ensure this review of the budget against the actual income and expenditure is minuted. We recommend that the council monitors the budget at least quarterly or more frequently if required. The amount of budget monitoring undertaken during the year will depend upon the size of the council and the complexity of its finances.

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

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

Responsible Financial Officer is a Councillor

What is the issue?

The responsible financial officer (RFO) of the council is a councillor.

Why has this issue been raised?

This is a potential breach of S151 of the Local Government Act 1972 which requires the council to take responsibility for making arrangements for the proper administration of its financial affairs, and to ensure that one of its officers has responsibility for the administration of those affairs.

S116 of the Local Government Act 1972 states that a member of the council cannot be appointed as an officer, unless a specific post is created under S112 of the Local Government Act 1972.

What do we recommend you do?

The council should appoint someone, other than a member of the council, to the position of RFO. The council may appoint the clerk to be the RFO if the council wishes or another person, who is not a member of the council. The appointment of a member to the position of RFO creates internal control weaknesses and internal conflicts of interest which could be avoided if the clerk was appointed to the role of RFO.

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

Local Council Administration, 8th Edition, Charles Arnold-Baker, Chapter 9

Internal auditor has not produced a detail report of work undertaken***What is the issue?***

The internal auditor has not provided detail of the individual testing performed either on the annual return or in a separate report to the council.

Why has this issue been raised?

The council is unable to satisfy itself that the full scope of the internal audit assignment has been covered and the work has been performed in all relevant areas.

What do we recommend you do?

The council must ensure that the internal auditor fully completes the 'Outline of work undertaken' boxes on the annual return or provides the council with a detailed report of the work undertaken.

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

Governance and Accountability for Local Councils in Wales - A Practitioners' Guide

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 23 September 2016
