

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

BDO

Introduction

The following matters have been raised to draw items to the attention of Walberswick 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
 - Budget
 - Annual General Meeting
 - Minutes not signed or initialled
 - Governance
 - Box 11 not completed
 - Reserves
 - Approval of accounts
 - Electors rights period
 - Public Interest Report
 - Council Running
 - Display of accounts
 - Approval of payments
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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.

Display of accounts

What is the issue?

The annual return opinion was not issued by the 30 September and therefore the smaller authority were unable to publicise completion by that date.

Why has this issue been raised?

The Accounts and Audit Regulations state that the notice of completion of the review must be displayed by the 30 September.

What do we recommend you do?

The deadline was not met due to the electors' questions which we were investigating and this delayed us giving our opinion.

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

The Accounts and Audit Regulations 2015

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.

Minutes not signed or initialled

What is the issue?

The smaller authority produced printed minutes, which were submitted for audit purposes. The pages were not maintained in accordance with the Local Government Act 1972, Schedule 12, para 41.

Why has this issue been raised?

This smaller authority submitted minutes for audit purposes which were not maintained in accordance with schedule 12, paragraph 41(2) of the Local Government Act 1972.

What do we recommend you do?

The smaller authority should ensure with immediate effect that if a loose leaf minute book is maintained the loose leaf pages are consecutively numbered, paragraphs are referenced, they should be signed by the chairman presiding at the meeting they are approved at and each page is initialled by the person signing the minutes.

Minutes must be maintained in accordance with the Local Government Act 1972.

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

Local Council Administration, 7th Edition, Charles Arnold-Baker, Chapter 7

Box 11 not completed

What is the issue?

The council has not answered box 11 in Section 2 of the annual return. We believe based on prior year information that the council should have answered 'No'.

Why has this issue been raised?

This is a note for the reader of the accounts to clarify that the council is not a sole trustee of any charities and also to ensure that the council answers this question in future. It does state on the form that no box should be left blank.

What do we recommend you do?

The council should ensure in future years that it answers 'No' to box 11, to confirm whether the council does act as the sole trustee of and is responsible for managing trust funds or assets.

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

We request under Schedule 7 of the Local Audit and Accountability Act 2014 ("the Act"), that the following points are considered by the smaller authority. A meeting should be held in accordance with Schedule 7 para 5(5) of the Act and in accordance with Schedule 7 5(6) of the Act, the council should notify us as the auditors of the discussions and proposed action plan to deal with the issues raised.

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

Budget

What is the issue?

Although a precept was requested in December 2014 the smaller authority did not prepare an adequate budget to support and evidence the precept request. A budget was presented at the meeting in February 2015 but this was after the precept request was made.

Also, during the year a budget for the year ended 2017 was not prepared or resolved by the smaller authority.

Why has this issue been raised?

The smaller authority has 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.

What do we recommend you do?

The smaller authority must ensure in future years that an adequate budget is prepared to support its decision making process and to assist the financial management during the financial year. The smaller authority must regularly review, and ensure this review of the budget against the actual income and expenditure is minuted. The smaller authority should monitor 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 smaller authority and the complexity of its finances and it is up to the Council to decide the level required.

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

Annual General Meeting

What is the issue?

Every year a Council should hold two annual meetings. An annual meeting of the Council and an annual parish meeting, only the first is a meeting of the Council.

The smaller authority convened an annual meeting of the Council on the 12 May 2015. The minutes of this meeting have never been produced and published in draft and have not been approved by the Council, although a meeting was held.

The Council did hold an annual parish meeting in April 2015 in accordance with the legislation.

Why has this issue been raised?

The annual meeting of the Council is where the Council elects its chairman and vice-chairman for the year and appoint committee members and representatives to other bodies. It is a very important meeting of the council and should be the first meeting of a council post elections, or on formation.

Failure to approve these minutes could bring into question the validity of the councils formation.

What do we recommend you do?

The smaller authority must ensure that it holds the annual meeting of the council and an annual parish meeting. These two annual meetings should be held at two different times.

The annual parish meeting is not a council meeting. It is a meeting of the parish or town electors taking place between 1 March and 1 June. Electors can contribute to the agenda and in practice these meetings often celebrate local activities and debate current issues in the community.

Only the Annual meeting of the council is a meeting of the Council. It is vital that this meeting is convened appropriately, that minutes are produced and agreed at the next meeting of the Council.

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

Governance

What is the issue?

The smaller authority has answered no to a number of questions in the annual governance statement, because of no independent person being appointed as clerk and RFO until after the end of the year and the council being inquorate for over 7 months of the year, from 10th June 2015 until January 2016.

The smaller authority have stated that they have not put in place effective arrangements for financial management during the year, they have not maintained an adequate system of internal control, they have not provided for the electors rights, they have not undertaken a review of risks, they have not maintained adequate internal audit and they have not taken appropriate action from internal and external audit reports.

Why has this issue been raised?

This is a breach of the Accounts and Audit Regulations 2015, the Local audit and Accountability Act 2014 and the Transparency code for smaller authorities.

The smaller authority should probably also have answered no to the question about non-compliance with laws, regulations and proper practices due to the above breaches.

What do we recommend you do?

The smaller authority must implement necessary measures to improve internal controls, and take action as required to ensure positive responses can be given in the future to all of the governance questions. Action should also be taken to appoint a clerk and proper officer as this is a serious failing of 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
Accounts and audit Regulations 2015
Local Audit and Accountability Act 2014
Transparency code for smaller authorities

Reserves*What is the issue?*

The reserves of the smaller authority have been increasing and the smaller authority has no earmarked or designated reserves.

Why has this issue been raised?

The smaller authority is holding all of its reserves in general reserves. General reserves should only equate to between 3 to 12 months anticipated expenditure.

What do we recommend you do?

The smaller authority should decide, as part of its budgeting process, to ring fence and designate reserves for specific purposes. The general reserves should be kept to a level which is considered adequate to enable the smooth running of 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
The Local Government Finance Act 1992

Approval of accounts*What is the issue?*

The smaller authority failed to approve Section 2 of the Annual Return ("the accounting statements") by the deadline of the 30 June, as specified on the Annual Return and stated in Governance and Accountability for Local Councils - The Practitioners' Guide and implied in the Accounts and Audit Regulations 2015.

Why has this issue been raised?

This is a breach of proper practices as set out in the Practitioners' Guide 2016. By approving the

annual return after the 30 June, the smaller authority prevented the RFO from discharging their obligations under the Accounts and Audit Regulations 2015 in respect of commencing the period for the exercise of electors' rights. This period must include the first 10 working days of July, meaning that for the 2015/16 annual return, the last possible date for approval was 30 June.

What do we recommend you do?

The smaller authority must ensure in future years that the accounting statements are signed by the RFO and then reviewed and signed as approved by the smaller authority meeting as a whole, by the latest date in order to comply with the electors rights dates, which must include the first 10 working days of July.

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

Accounts and Audit Regulations 2015 - legislation.gov.uk website
 Governance and Accountability for Local Councils March 2016 - The Practitioners' Guide - NALC/SLCC/ADA

Electors rights period

What is the issue?

The Accounts were approved after the commencement of the inspection period of the exercise of electors' rights.

Why has this issue been raised?

The Accounts and Audit Regulations 2015, reg 15(3) specifies that the Annual Governance statement must be approved. This is followed by the approval of the Accounting Statements. Both statements must be published including on a website with the notice of electors' rights. The electors' rights period should start on the following day. The smaller authority has not complied with the Accounts and Audit Regulations 2015.

What do we recommend you do?

The Smaller Authority must ensure in future years that the electors' rights inspection period commences after the accounting statements are approved. The Smaller Authority must also consider how to answer the question concerning the electors' rights period in the Annual Governance statement next year. The period of electors' rights that they must be considering is for the 2015/16 year as that is the period that has occurred during the year.

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

Accounts and Audit Regulations 2015

Public Interest Report

What is the issue?

We issued a Public Interest Report in September 2015, which was not considered within one month of publication.

Why has this issue been raised?

This is a breach of the Audit Commission Act 1998, as transitionally saved.

What do we recommend you do?

The Council was inquorate when the report was issued but it was made quorate by the District Council appointing to it some councillors in January 2016. The Council at its first meeting should have discussed the report, but it failed to do this until August 2016.

In future if any Public Interest Reports or any statutory recommendations are issued the smaller authority should ensure it acts within the legislation which is in force and reviews and takes any appropriate action as required.

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

The Audit Commission Act 1998, The Local Audit and Accountability Act 2014.

Council Running

What is the issue?

The council was inquorate for almost 7 months of the year to 31 March 2016. It was quorate until the 10 June 2015 and again from January 2016 to 31 March 2016. In this period it only held 2 meetings, April 2015 and March 2016. It had one official clerk and RFO in April 2015 and in March 2016 it was noted that the position of clerk and RFO were being advertised.

Why has this issue been raised?

On becoming quorate the council should have held a meeting as soon as possible in order for budgets to be approved and precepts set by the statutory deadline, which is early March. The council should also have made temporary appointments of the clerk and RFO from one of their members, until a clerk/RFO could be appointed externally.

What do we recommend you do?

If the council finds itself in a similar situation in the future it should ensure that actions are taken to ensure it is acting within its statutory requirements as soon as possible.

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

The Good Councillors Guide.

Approval of payments

What is the issue?

During the year a payment was made which was not approved at a meeting of the council. The payment was for thatching of the village shelter.

This payment exceeded the limit set in the financial tenders which required all payments in excess of £1,000 to be subject to three tenders.

Why has this issue been raised?

From a review of the minutes we can see no reference made to tenders being sought for this item of expenditure. We could also not see during the year the payment being authorised by the Council.

What do we recommend you do?

In future the council must ensure it abides by its financial regulations and tenders are sought for all contracts as dictated by them. All payments must also be authorised by the council prior to the payments being made.

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 Good Councillors Guide

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 03 February 2017