



**ISSUES ARISING REPORT FOR  
Llanelidan Community Council  
Audit for the year ended 31 March 2018**

## Introduction

The following matters have been raised to draw items to the attention of Llanelidan Community Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2018.

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
  - Internal control system not in existence - council stated NO on Annual Governance Statement
  - Asset Register
  - Budgetary Process
  - Standing Orders and Financial Regulations
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The following issue(s) have resulted in the annual return being qualified. They indicate a weakness in the body's procedures and require the body to take immediate action.

#### **Risk Assessment**

##### *What is the issue?*

The council did not undertake a review of their system of internal control which includes arrangements for the management of risks faced during the year.

##### *Why has this issue been raised?*

This is a breach of regulation 5 of the Accounts and Audit (Wales) Regulations 2014 which requires authorities to provide arrangements for the management of risk.

##### *What do we recommend you do?*

The council must ensure a risk assessment is carried out annually before the end of the financial year. This risk assessment must be reviewed and minuted as evidence of the review being undertaken annually before the end of the financial year.

The council should decide which risks it faces and how it is going to reduce the impact of these risks on the council's ability to provide its services. An example of the risks and how they can be handled is included in "A Practitioner's Guide" published by One Voice Wales & SLCC. An example risk table is available on our extranet to assist the council in assessing and clarifying their risks. If the council decides to utilise this table then it should be reviewed in detail, modified and adapted to the council's specific needs. If you do not have access to the internet, contact us and we can supply you with a copy.

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 Audit Briefing, Winter 2012 - BDO LLP

#### **Internal control system not in existence - council stated NO on Annual Governance Statement**

##### *What is the issue?*

The council have stated that they have not maintained an adequate system of internal control. The council did not have adequate internal oversight of the finances. The clerk has encouraged the council to establish a Finance Committee who will conduct internal control exercises, but this has still to be operational.

##### *Why has this issue been raised?*

This is a breach of regulation 4 of the Accounts and Audit (Wales) Regulations 2014.

##### *What do we recommend you do?*

The council must implement necessary measures to prevent and detect fraud immediately as this is a serious failing of the council.

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

One Voice Wales website ([www.onevoicewales.org.uk](http://www.onevoicewales.org.uk))  
Governance and Accountability in Local Councils in Wales - A Practitioners Guide, OVW/SLCC

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## **Budgetary Process**

### *What is the issue?*

Although a precept was set by the due date the council did not prepare an adequate budget to support and evidence the precept request. Therefore, there has been no budget monitoring undertaken during the year as there has been no budget to compare actual figures to.

### *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. The council may also have contravened Part 1, Chapter IV, Para 50(1) of the Local Government Finance Act 1992 which states that every authority must 'make calculations required' under the 'calculation of budget requirement'.

### *What do we recommend you do?*

The council 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 council must regularly review, and ensure this review of the budget against the actual income and expenditure is minuted. The council 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 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

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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.

### **Asset Register**

#### *What is the issue?*

The council does not have an asset register and therefore cannot record the purchase cost or proxy cost, if the purchase cost is unknown, of all assets held by the council in box 12.

#### *Why has this issue been raised?*

The council is at risk of not safeguarding its assets and not complying with the proper practices as set out in the Practitioners' Guide.

#### *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. The council should ensure the figure recorded in box 12 of the annual return is the total purchase cost of all assets held. If the purchase cost is unknown the council should establish a current value for the asset. This value will act as a proxy cost for the original purchase cost and remain unchanged until disposal.

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 Wales - A Practitioners Guide, OVW/SLCC Audit Briefing, Spring 2011 - BDO LLP

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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.

### **Standing Orders and Financial Regulations**

*What is the issue?*

The council has not adopted Standing Orders and Financial Regulations.

*Why has this issue been raised?*

The council is at risk of not conducting their business legally, efficiently and effectively.

*What do we recommend you do?*

The council must adopt up to date Standing Orders and Financial Regulations as soon as possible or in any event before the end of the current financial year.

The council should contact their local One Voice Wales representative who will be able to provide the council with an updated model set of Standing Orders and Financial Regulations, which incorporate the changes introduced by the Accounts and Audit (Wales) Regulations 2014, which the council should review, amend if necessary and formally adopt. This adoption must be minuted and the minute reference and date recorded on the Financial Regulations for future reference.

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

One Voice Wales representative, One Voice Wales website - ([www.onevoicewales.org.uk](http://www.onevoicewales.org.uk))

**No other matters came to our attention.**

For and on behalf of  
BDO LLP

Date: 07 August 2018

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