



**ISSUES ARISING REPORT FOR
Towyn & Kinmel Bay Town Council
Audit for the year ended 31 March 2017**

Introduction

The following matters have been raised to draw items to the attention of Towyn & Kinmel Bay Town Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2017.

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;

- Code of Conduct
 - Appropriate books of account not maintained
 - Budgetary Process
 - Financial Regulations
 - Internal Auditor's recommendations
 - Approval of the annual return
 - Minor issues
-

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.

Code of Conduct

What is the issue?

The Council did not minute its acceptance of the code of conduct during the year under audit.

Why has this issue been raised?

The Welsh Government have made the Local Authorities (Model Code of Conduct) (Wales) (Amendment) Order 2016 which amends the previous Code of Conduct. All bodies were required to adopt the new code. Failure to comply with this is a breach of regulations.

What do we recommend you do?

The council should adopt the code of conduct as soon as possible and ensure all councillors comply with the code.

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

Local Authorities (Model Code of Conduct) (Wales) (Amendment) Order 2016

Appropriate books of account not maintained

What is the issue?

The internal auditor has noted that appropriate books of account have not been maintained throughout the year. Maintaining accurate and detailed books of account is part of the council's responsibility to maintain an effective system of internal financial control.

Why has this issue been raised?

The council should be maintaining accurate records of income and expenditure as part of its fiduciary duties and part of its system of internal financial control.

What do we recommend you do?

The council must ensure that it maintains adequate financial records to record its financial activities. As a minimum the council must ensure a cashbook is maintained supported by corresponding invoices, remittances or other documentation to support the relevant receipts and payments. Reconciliations of the bank account must also be undertaken and budget monitoring should also be in place.

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

One Voice Wales website (www.onevoicewales.org.uk)

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

The following issue(s) have been raised as there are minor errors on the annual return which we wish to draw to the attention of the body so they do not occur again in future years.

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 1 of the Annual Return do not agree to the audited Annual Return for the year ended 31 March 2016. The comparative figures for the year ended 31 March 2016 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 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?

The Internal Auditor reviewed the budgetary process and has noted that although a precept was set by the due date the council did not monitor its budget during the year.

Why has this issue been raised?

The council were exposed to criticism due to the lack of evidence of budget monitoring and the risk of overspending. The council demonstrated a lack of financial control.

What do we recommend you do?

The council must ensure the acceptance of the budget is minuted and it regularly reviews the actual income and expenditure against the budgeted income and expenditure. The council should monitor the budget at least quarterly or more frequently if required.

This is an essential internal control and a key aspect of the financial management of the council. Minutes must clearly record the decisions of the council as they are the lawful record of the events of the council's meetings. 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, OWW/SLCC

Financial Regulations

What is the issue?

The council's Financial Regulations require updating as they refer to old outdated regulations.

Why has this issue been raised?

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

What do we recommend you do?

The council must conclude updating the Financial Regulations as soon as possible or in any event before the end of the current financial year.

The council could contact the 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)

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 for Local Councils in Wales, A Practitioners' Guide - OVW/SLCC

Approval of the annual return*What is the issue?*

The council have not entered the date of the minute approving the accounting statements and annual governance statement.

The council have confirmed that the date of approval was 28 June 2017.

Why has this issue been raised?

The annual return has not been fully completed in accordance with requirements.

What do we recommend you do?

The council must ensure that all relevant boxes are fully complete before submitting the annual return for audit.

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

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

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 25 September 2017
