



ISSUES ARISING REPORT FOR
Banbury Town Council
Audit for the year ended 31 March 2013

Introduction

The following matters have been raised to draw items to the attention of Banbury Town Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2013.

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;

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

Creditors

What is the issue?

The council has considerable amounts included in creditors which relate to Section 106 monies.

Why has this issue been raised?

Accounting for grants should not necessarily follow the accepted accounting practice of the SORP. Creditors should only represent unspent amounts that may be repayable. The Council is using the straight line basis to best approximate the amount that may be due, which may not accurately reflect that liability.

What do we recommend you do?

The council should reviews the basis of all section 106 monies and other amounts held in creditors and only recognise the amounts that are due to be repaid.

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

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.

Fidelity Guarantee

What is the issue?

The council have reviewed the level of fidelity guarantee cover, however this still appears to be insufficient in light of the bank balances held at 31 March 2013.

Why has this issue been raised?

A council, under S114 of the Local Government Act 1972, must take security as it considers sufficient in the case of any of its officers likely to handle its money. The council may decide that insurance is not 'sufficient' for them, but in order to come to this opinion it must have reviewed the requirement annually and have objective grounds for such a conclusion. The Council should also consider the level of fidelity guarantee as part of its annual review of the risk assessment, as this is a risk the Council may face, especially if the cover is below that required.

What do we recommend you do?

The council should consider the level of insurance cover and set it to a level that will protect the council against potential loss. The council should review the level of cover at least annually, especially during the annual risk assessment review, as circumstances may change throughout the year.

The amount should be sufficient to cover the maximum amount of money the council holds at any one time during the year. A council does not have to have fidelity guarantee insurance if it considers that no security is 'sufficient' but there must be objective grounds for such a conclusion. Smaller councils may decide therefore that the cost of this insurance is disproportionate to the risk involved. If this is so the council should minute this decision annually.

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

Local Council Administration, 8th Edition, Charles Arnold-Baker, Chapter 9.8
Governance and Accountability in Local Councils in England - A Practitioners Guide, NALC/SLCC

Risk Assessment

What is the issue?

The risk assessment was approved by a sub-committee of the full council and the sub-committee minutes were approved by full council.

Why has this issue been raised?

The minutes of the full council did not specify that they had reviewed the risk assessment in any detail and therefore the Council is exposed to the criticism that it may not have complied with the Accounts and Audit Regulations 2011, paragraph 4 which specifies that a meeting of the whole of the relevant body must conduct a review at least once a year of the effectiveness of its system of internal control, which includes risk management.

What do we recommend you do?

The council must ensure that the full council, when approving the sub committee minutes, refers to

the review of the risk assessment to ensure it complies with the legislation.

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

The Accounts and Audit (England) Regulations 2011

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 27 September 2013
