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SR8 2PH

17 February 2015

our ref: 2014/A1/PETE01/FINAL

Dial: 023 8088 1700  
Email: councilaudits@bdo.co.uk

20 FEB 2015

Dear Mrs Tweddle

**Peterlee Town Council - Audit for the year ended 31 March 2014**

We have now completed the above audit. Please find enclosed the following documents;

- Fee Note
- Notice of Conclusion of Audit
- Notes regarding the advertisement of the Conclusion of the Audit
- Issues arising from the audit
- Date selection form for 2014/15
- Contact details
- Survey 2013/14
- Annual Return

The enclosed annual return should be presented to the council/body/board, now that our audit opinion has been given, and a minute should be made to show that the Annual Return has been approved and accepted by the council/body/board. The issues arising report should also be presented to the council/body/board and an action plan produced, if required, to indicate how the issues raised will be addressed. The annual return and notice of conclusion of audit should be displayed in a conspicuous place(s) for 14 days as soon as reasonably possible and before the 30 September 2014.

If you have any questions please contact Louise Caplen in the first instance.

Yours sincerely

Mrs Emma Prince  
For and on behalf of BDO LLP

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ISSUES ARISING REPORT FOR  
Peterlee Town Council  
Audit for the year ended 31 March 2014

## Introduction

The following matters have been raised to draw items to the attention of Peterlee Town Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2014.

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;

- Minor issues
  - Fidelity Guarantee
  - Minutes
  - Internal Auditor's recommendations
  - Risk Assessment - approved at a sub committee
  - Approval of Annual Return
  - Policies and Procedures
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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 council so they do not occur again in future years.

**Minor issues**

*What is the issue?*

The following issues have been raised as minor issues or omissions have been identified in the current year's Annual Return:

The comparative figures in section 1 do not agree to the audited figures for last year and the carry forward figure is different to last year's audited figure by £1.

The annual return does not add up by £1.

*Why has this issue been raised?*

This is to draw these minor errors to the attention of the council.

*What do we recommend you do?*

The council should ensure in future years that the above minor errors or omissions are not included in the Statement of Accounts.

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

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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 2014.

#### *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

### **Minutes**

#### *What is the issue?*

The council produced printed minutes, which were submitted for audit purposes. The pages were not initialled by the person signing the minutes.

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

This council 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 council should ensure with immediate effect that if a loose leaf minute book is maintained the loose leaf pages are consecutively numbered and initialled by the person signing the minutes.

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

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books are lawful but the loose leaf pages must be consecutively numbered and each page must be initialled by the person signing the minutes.

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

Local Council Administration, 8th Edition, Charles Arnold-Baker, Chapter 7

#### **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 in Local Councils in England - A Practitioners Guide, NALC/SLCC

#### **Risk Assessment - approved at a sub committee**

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

The council have minuted its review of the risk assessment during the year ended 31 March 2014 at a sub committee of the full council.

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

The Accounts and Audit (England) Regulations 2011, which came into force on the 31 March 2011, require the approval of a risk assessment at a full council meeting and not at a sub committee of the council. Although the minutes of the sub committee were reviewed by the full Council, it did not minute its acceptance of the risk assessment.

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

The council must ensure in future years that the risk assessment is reviewed by a full council meeting and not a sub committee.

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

The Accounts and Audit (England) Regulations 2011

#### **Approval of Annual Return**

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

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Section 1 of the annual return has been approved at a sub committee of the full council.

*Why has this issue been raised?*

The minutes of the sub committee were approved by full Council, but Full council did not specify in their minutes that they approved the Annual Return. Therefore the Council is exposed to the criticism that they may not have complied with the Accounts and Audit (England) Regulations 2011, regulation 13, paragraph 3a which states the accounting statements shall be approved by 'the members meeting as a whole'.

*What do we recommend you do?*

The council must ensure that if it wants to delegate the approval of the Annual Return to a sub-committee, they minute the approval of the accounts when approving the sub-committee's minutes.

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

The Practitioners Guide  
The Accounts and Audit (England) Regulations 2011

**Policies and Procedures**

*What is the issue?*

It has come to our attention that during the year the Council had not adopted any standing orders or Financial regulations, nor did they have in place any adopted policies on sickness, employment or disciplinary matters.

*Why has this issue been raised?*

It is good practice, and is included as such in The Practitioners Guide, to have adopted policies and regulations which give the Council direction and control over its actions. The Financial regulations should set tender and quotes limits for contracts or purchases, they should also set the regulations to be followed when receiving income or making payments, controlling the budget and audit matters. Standing orders should cover the calling and procedures to be followed at Council meetings.

Until policies, procedures and Regulations are adopted the council is at risk of not conducting their business legally, efficiently and effectively.

*What do we recommend you do?*

If the council have not yet adopted the Standing Orders and Financial Regulations and other policies and procedures they must do so as soon as possible or in any event before the end of the current financial year.

The council can contact its local NALC 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 (England) Regulations 2011, 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.

Other policies on Employment, sickness and disciplinary can also be provided by your local NALC association or your District Council. We would recommend these are obtained, revised as appropriate by the Council and adopted by the Council as soon as possible.

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

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NALC representative, NALC website - ([www.nalc.gov.uk](http://www.nalc.gov.uk))

Governance and Accountability in Local Councils in England - A Practitioners' Guide, NALC/SLCC

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

For and on behalf of  
BDO LLP

Date: 16 February 2015

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