



ISSUES ARISING REPORT FOR  
Lymington & Pennington Town Council  
Audit for the year ended 31 March 2016

## Introduction

The following matters have been raised to draw items to the attention of Lymington & Pennington Town 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;

- Internal Auditor's recommendations
  - Fixed Assets
  - Risk Assessment - not minuted
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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.

#### **Risk Assessment - not minuted**

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

The smaller authority has not minuted its review of effectiveness of internal control including its risk assessment during the year.

The council has undertaken an extensive risk assessment review during which employee handbooks, contracts, health and safety regulation and similar documents were updated. Due to the time consuming nature of this undertaking, the revised risk assessment was not ready for approval until after the year end, leading to the late minuting of the risk assessment.

##### *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 the risk assessment is reviewed and this review is minuted at least once a year before the end of the financial year. This review is for the smaller authority to evidence as a whole that they are satisfied that all the risks facing the smaller authority have been identified and safeguards have been put in place to protect against those risks.

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  
Audit Briefing, Winter 2012 - BDO LLP

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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.

#### Internal Auditor's recommendations

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

The internal auditor has made a number of recommendations in respect to the financial systems of the smaller authority.

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

The smaller authority is exposed to the risks associated with these weaknesses.

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

The smaller authority must implement the recommendations made by the internal auditor to improve the financial systems of the smaller authority as soon as possible or in any event before the end of the current financial year.

If the smaller authority addresses all the issues raised by the internal auditor the smaller authority should improve internal controls which will help to prevent and detect error and fraud and assist the smaller authority 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

#### Fixed Assets

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

The smaller authority has incurred significant expenditure during the year on a capital project which was still on going at the year end. The costs incurred to date have not been disclosed in Box 9 'Fixed Assets'. The total cost of the capital project will not be disclosed in box 9 until the project has been completed and the asset brought in to use.

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

The accounts are currently understating the amount of the assets belonging to the authority as the asset is not recognised until completed.

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

As soon as the expenditure is completed, the asset must be included in the smaller authority's asset register and the figure in box 9 is updated to reflect this new asset.

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

Not applicable

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No other matters came to our attention.

For and on behalf of  
BDO LLP

Date: 16 August 2016

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