

**ISSUES ARISING REPORT FOR  
Shaftesbury Town Council  
Audit for the year ended 31 March 2015**

## Introduction

The following matters have been raised to draw items to the attention of Shaftesbury Town Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2015.

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;

- Salary increases not minuted as approved by council
  - Internal controls
  - Minutes
  - Compromise agreement
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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.

#### **Compromise agreement**

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

The Council delegated authority to a committee of the Town Council to enter into a negotiated agreement with a former employee however the payment finally made was not resolved by full council.

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

The Council did not delegate this committee any budget and did not delegate it authority to make a payment. When the agreement was finally signed it should have been put before the Council for ratification and the payment resolved to be paid prior to the payment being made. The payment was finally resolved a few weeks after the payment was made.

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

We understand that the Council has made improvements to processes but in future if another similar situation arises again we would recommend that the agreement is fully reviewed by full council and the payment of the agreed amount is resolved prior to the payment being made.

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 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.

#### **Salary increases not minuted as approved by council**

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

During the year increases in pay were given to council staff. These increases were not approved by Council, a resolution passed and noted as such in the minutes of the council.

It is an important part of the financial controls of the council that the council monitors all expenditure and changes in expected expenditure. The council should give approvals for any changes to budgeted expenditure and changes to contracts in line with its own Financial Regulations. Minutes of the council must record all council resolutions as a legal record of any such decision.

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

The council is at risk of losses through fraud and error if its internal controls and financial monitoring procedures are not effective.

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

The council must ensure that adequate financial procedures are in place to monitor and approve changes in staff wages and salaries. These should be documented in the financial regulations of the council and adhered to. All council decisions and resolutions should be recorded in the council minutes.

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

Not applicable

#### **Internal controls**

##### *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 have resolved to implement the recommendations made by the internal auditor, but has yet to take any steps to do this, to improve the financial systems of the council. The council must ensure this is undertaken 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

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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.

**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 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

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

For and on behalf of  
BDO LLP

Date: 27 October 2015

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