



**ISSUES ARISING REPORT FOR**  
**Pencoed Town Council**  
**Audit for the year ended 31 March 2018**

## Introduction

The following matters have been raised to draw items to the attention of Pencoed Town Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2018.

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;

- Annual Governance Statement - Gratuity
  - Internal Auditor's recommendations
  - Fidelity Guarantee
  - Expenditure powers - S137 power incorrectly used
  - Minutes
-

---

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.

#### Annual Governance Statement - Gratuity

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

The smaller authority have not correct completed the question on Part 2 concerning the obligation to pay a gratuity. The incorrect statement has not been crossed out to leave the one that reads 'The Council has no obligation or intention to pay a gratuity to employees'.

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

The annual return has not been completed fully in line with the instructions issued.

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

The smaller authority should ensure in future years that all questions are answered fully.

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

Guidance notes on the annual return.

---

---

**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.**

### **Internal Auditor's recommendations**

#### *What is the issue?*

The internal auditor has noted some recommendations in the financial systems of the council.

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

The council is exposed to the risks associated with these recommendations.

#### *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 Wales - A Practitioners Guide, OVW/SLCC

### **Fidelity Guarantee**

#### *What is the issue?*

The level of fidelity guarantee cover obtained by the council appears to be insufficient in light of the bank balances held at 31 March 2017 and the amount of precept subsequently received in April 2017.

#### *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 review the level of fidelity guarantee during the annual review of the risk assessment as this could be a key risk that the Council is facing.

#### *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 review of the annual risk assessment, 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 Wales - A Practitioners Guide, OVW/SLCC

### Expenditure powers - S137 power incorrectly used

#### *What is the issue?*

Payments were made to one or more of the following: a local social, sports or youth club(s) which could have been authorised under S19 of the Local Government (Miscellaneous Provisions) Act 1976, power to provide recreational facilities within and outside of the area.

Donations were made to an Eisteddfod which could have been authorised under S145 of the Local Government Act 1972, provision of entertainment and support of the arts.

Payments were made to one or more of the following: a local social, sports or youth club(s) which could have been authorised under S19 of the Local Government (Miscellaneous Provisions) Act 1976, power to provide recreational facilities within and outside of the area.

A donation was made to the council's Twinning Association / Twin Town that could have been authorised under S144(2) of the Local Government Act 1972, power to provide and encourage visitors to the UK.

Payments were made towards the provision of allotments which could have been authorised under the Small Holdings and Allotments Act 1908.

Donations were made to one or more of the following: a local gala, band or choir which could have been authorised under S145 of the Local Government Act 1972, provision of entertainment and support of the arts.

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

The council incorrectly recorded items as Section 137 payments when other statutory powers existed. A payment cannot be recorded under S137 if another statutory powers exists.

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

The council must ensure in future years that it reviews the list of statutory powers available to council to establish if a power exists before relying on S137 to authorise a payment. The statutory power being used to authorise expenditure should be recorded alongside the item to demonstrate the council has properly followed its standing orders and financial regulations.

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  
One Voice Wales representative, One Voice Wales website - ([www.onevoicewales.org.uk](http://www.onevoicewales.org.uk))  
Audit Briefing, Spring 2010, BDO

### Minutes

#### *What is the issue?*

The council produced printed minutes, which were submitted for audit purposes. The pages were not certified as true copies of the originals.

---

*Why has this issue been raised?*

This council submitted minutes for audit purposes which were not certified as true copies of the originals by the clerk or chariman.

*What do we recommend you do?*

The council should ensure that all documents provided for audit are certified as true copies of the originals.

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

Not applicable

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

For and on behalf of  
BDO LLP

Date: 19 September 2018

---