

EXTERNAL AUDIT REPORT ON SADBERGE PARISH COUNCIL **FOR THE YEAR ENDED 31-MAR-2006**

Respective responsibilities of the council and the auditor

The council is responsible for the preparation of the accounts in accordance with the requirements of the Accounts and Audit Regulations and for the preparation of an annual return which:

- summarises the council's accounting records for the year ended 31 March 2006; and
- confirms and provides assurance on those matters that are important to our audit responsibilities.

Our responsibility is to conduct an audit in accordance with guidance issued by the Audit Commission and, on the basis of our review of the annual return and supporting information, to report whether any matters that come to our attention give cause for concern that relevant legislation and regulatory requirements have not been met.

External auditor's report

Except for the matter reported below, on the basis of our review, in our opinion the information contained in the annual return is in accordance with the Audit Commission's requirements and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

1. The Council did not undertake and minute a full risk assessment during the year. The council cannot evidence that a full review of all the risks facing the council had been assessed and appropriate action had been taken to safeguard against these risks.

Other matters not affecting our opinion which we draw to the attention of the council.

2. Please see the attached report.

External auditor's name: BDO Stoy Hayward LLP
Southampton SO14 3TL

Date: 7 November 2006

Local Council Audits – Issues Arising

Audit for the year ended 31 March 2006

The following matters have been raised to draw items to the attention of the Council, which came to the attention of BDO Stoy Hayward LLP during our audit of the accounts of Sadberge Parish Council. Our audit of the accounts cannot necessarily be expected to disclose all shortcomings of the system and for this reason, the matters raised may not be the only ones that exist.

Sadberge Parish Council

The following issues have resulted in the annual return being qualified. They indicate a weakness in the Council's procedures and they require the Council to take immediate action.

Risk Assessment

We have noted in our audit report that the Council had not undertaken a full risk assessment during the year ended 31 March 2006. We acknowledge that the Council has taken steps to assess the risks they face after the year end.

Regulation 4 of the Accounts and Audit (Amendment) (England) Regulations 2006 states that 'The relevant body shall be responsible for ensuring that the financial management of the body is adequate and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes risk management arrangements'.

We have reviewed the risk assessment that the Council has carried out post year end. This risk assessment appears to be adequate. The Council must ensure that this risk assessment is reviewed and minuted as reviewed at least annually.

The following issues have been raised to assist the Council in improving their internal controls or working practices. The Council is recommended to consider these but is under no statutory obligation to act upon them.

Budgetary Process

The preparation of an annual budget is one of the key tasks to be taken by a local council, irrespective of its size. The budget has three main purposes:

- it results in the council setting the precept for the year;
- depending on the council's Financial Regulations, it may give the clerk and other officers overall authority to spend money in accordance with the plans approved by members; and
- it provides a basis for monitoring progress during the year by comparing actual spending against planned spending.

The important statutory stage of the budget process is confirming the precept that is to be raised on the district council or unitary authority for the area. The law requires that precepts be issued a month before the new financial year starts, i.e., by 1 March.

At the same time that the budget is set, members should also approve any delegation of responsibility for spending amounts set out in the budget. For example, the budget might include amounts for paying a grant to the local youth club: authorisation might then be given to the responsible financial officer to pay the grant without having to make further reference to the council.

There is no statutory requirement to publish the budget, but councils may put a copy on the notice board once it has been approved.

Having determined the planned levels of spending, anticipated income and the balances needed to be carried forward for contingencies and future spending plans, the budget needs to be approved. Much of the work preceding this stage may be delegated to the responsible financial officer, but the council must approve the finalised budget.

The importance of the budget should not be underestimated, and it is essential that council members understand how it is put together and how it should be used in the running of the council. The regular reporting of expenditure and variances from budget is an essential part of the proper control of public money.

During our audit we reviewed the budgeting process of the Council and have noted that although a precept was set by the due date the Council did not undertake adequate budget monitoring during the financial year. It is recommended that the Council regularly reviews its actual income and expenditure against its budgeted income and expenditure. This is an essential internal control and a key aspect of the financial management of the Council. The amount of budget monitoring undertaken during the year will depend upon the size of the Council and the complexity of its finances but we would recommend that the Council monitors its budget at least quarterly or more frequently if the Council chooses to do so.

Further advice on budgets can be found in 'A Practitioners Guide' published by NALC and SLCC.

The following issues 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.

Section 1 comparative figures do not add up by £1

The comparative figures in Section 1 of the Annual Return do not add up by £1. We have assumed this is a rounding error and have taken no further action in this respect. The Council should ensure that these rounding errors are eliminated in future years.

No other matters came to our attention.