



ISSUES ARISING REPORT FOR
Swanage Town Council
Audit for the year ended 31 March 2011

Introduction

The following matters have been raised to draw items to the attention of Swanage Town Council. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2011.

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
 - Administration of charitable money
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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 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

Administration of charitable money

What is the issue?

The annual return includes transactions and cash balances held on behalf of a registered charity.

Why has this issue been raised?

The council has failed to maintain separate books of account for the charity, which is a breach of their fiduciary duty as trustee. The council has not prepared its financial statements in accordance with proper practices in breach of the Accounts and Audit (England) Regulations 2011. The proper practices for the administration of charitable money is set out in 'Governance and Accountability in Local Councils in England - A Practitioners Guide 2008' paragraphs 1.45 to 1.49.

What do we recommend you do?

The council must ensure that as the charity is a separate legal entity from the council, its business is conducted separately from that of the council. The charity should also operate a separate bank account and maintain its own books of account. The trustees of the charity must hold separate meetings, have separate agendas and minutes for these meetings. All charity business should be conducted at the meeting of the charity's trustees and charity business should not be discussed during council meetings.

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

Charity Commission website (www.charity-commission.gov.uk)
Local Council Administration, 7th Edition, Charles Arnold-Baker, Chapter 13
Audit Briefing, Spring 2010- BDOSH

No other matters came to our attention.

For and on behalf of
BDO LLP

Date: 28 September 2011
