

## Full Council

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<b>Date:</b>	<b>14 November 2017</b>
<b>Title:</b>	<b>External Audit – Outstanding Audit Points</b>
<b>Contact Officer:</b>	<b>Graham Hunt, Town Clerk Morag Robinson, Office Administration Manager</b>

### Purpose of Report

1. To provide an update on the progress of the 2016-17 External Audit and background on a change that is needed to the Annual Return.

### Background

2. DCK Beavers Ltd on behalf of the Town Council prepares the end of year accounts including the Annual Return documentation which after approval at the June Council meeting are submitted to the External Auditor, BDO Stoy Hayward (BDO). The accounts for 2016-17 were duly submitted to BDO in late June 2017.
3. BDO executed their audit in early August 2017 and sought some clarifications on Staff Costs, which were responded to on 17 August 2017.
4. It is normal practice for the external audit to be concluded and signed off by 30 September. On chasing, Officers received verbal assurances from BDO that all was OK; the audit was just waiting for final formal sign-off.
5. Late on Thursday 28 September, we were informed by telephone that BDO wished to qualify our accounts, as they had concerns with Boxes 6 and 7. From a purely presentational point of view, our payments had been overstated, through double counting of the Rugby Club loan, which meant that our balances were understated.
6. The Annual Return has a separate box relating to loans taken out. It is abnormal, although entirely legal, for a Town Council to make loans, so the error is partially understandable.
7. Further discussions took place with BDO, who agreed that as the underlying accounts were accurate, and that it was a presentational issue only, that if Council were to approve the changes to boxes 6 and 7 then the audit could be signed off. Only Council can approve such a change.
8. On further analysis, Officers and DCK Beavers established that Box 3, receipts, was also incorrect, through double counting of the pay back of the loan.
9. DCK Beavers has now made the necessary changes to the Annual Return Working Paper 2016-17 as attached as Appendix 1 which has been submitted to BDO.

10. BDO has now formally requested that Council approves the amendment of boxes 3, 6, and 7, as detailed in the Summary of Audit Points Outstanding, attached as Appendix 2.
11. If BDO's audit process as executed in August had identified the concerns, then the audit could have been concluded by 30 September. However, there are now verbal threats from BDO that the audit may still be qualified, through a failure to complete the external audit process by 30 September 2017. If this occurs then officers will seek recompense for the failure of BDO's processes, which has led directly to the timing issue.

### **Actions Required**

12. To approve the alteration of the Annual Return as follows:

- i) **Box 3 – Total Other Receipts have been overstated**  
Box 3 figures must be changed to £465,154
- ii) **Box 6 – Total Other Payments have been overstated**  
Box 6 figures must be changed to £559,297
- iii) **Box 7 – Balances Carried Forward has been understated**  
Box 7 figures must be changed to £567,007

### **Resource Appraisal**

13. As a consequence, BDO is charging the Council an additional fee of £30. DCK Beavers Ltd has offered to reimburse the Council for any additional monies it is charged over and above the normal external audit fee as a result of their error.

### **Recommendation that:**

- i) ***The Summary Report of Outstanding Audit Points from the External Auditor be received.***
- ii) ***Boxes 3, 6 and 7 be amended on page 2 of the Annual Return by the Town Clerk and Mayor and returned to the External Auditor.***