

**ISSUES ARISING REPORT FOR  
Danvm Drainage Commissioners  
Audit for the year ended 31 March 2016**

## Introduction

The following matters have been raised to draw items to the attention of Danvm Drainage Commissioners. These matters came to the attention of BDO LLP during the audit of the annual return for the year ended 31 March 2016. This report must be presented to a full meeting of the smaller authority for review.

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;

- VAT
  - Display of accounts
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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.

#### Display of accounts

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

The annual return opinion was not issued by the 30 September and therefore the smaller authority were unable to publicise completion by that date.

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

The Accounts and Audit Regulations state that the notice of completion of the review must be displayed by the 30 September.

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

The deadline was not met due to the electors' questions which we were investigating and this delayed us giving our opinion.

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

The Accounts and Audit Regulations 2015

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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.

## VAT

### *What is the issue?*

During the year the Internal Drainage Board (IDB) incurred costs in relation to remedial works at a pumping station.

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

The IDB has the power to incur these costs. It then recharged these costs, incurred less VAT, which had been incurred and recovered by the IDB, to the mine owner, which was later transferred to the coal authority.

As a Section 33 body the IDB can reclaim the costs but should charge VAT on any business activity. If the business activity is negligible you can claim exemption and not charge VAT.

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

As HMRC may claim that the recharging of the work to a private land owner may be a business activity we would recommend that you contact HMRC and discuss the situation with them to ensure you have treated the transactions correctly.

Failure to contact HMRC may result in penalties and interest plus the VAT that should have been charged.

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  
VAT notice 749

No other matters came to our attention.

For and on behalf of  
BDO LLP

Date: 03 February 2017

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