



Abertillery and Llanhilleth Community Council

Report on 2020/2021 Accounts and Annual Return

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Responsible Financial Officers

for Council Meeting on 27 April 2022

Background

This report seeks Council's approval for the accounts for the financial year 2020/21 and their submission to Audit Wales, along with the Annual Governance Statement and other relevant documents. Audit Wales is the combined name for the Auditor General for Wales and the Wales Audit Office.

Under the Public Audit Wales Act 2004 and the associated Accounts and Audit (Wales) Regulations 2014, accounts should be certified by the Responsible Financial Officer (RFO) and presented to the Council, along with the Internal Auditor's report, by 30 June in any given year. They should then be sent to Audit Wales, for external audit. This year, due to the Covid-19 pandemic, staff resources and associated restrictions on people meeting each other, this deadline was not met.

Electors have a right under the legislation listed above to inspect and make copies of the accounts and relevant associated documents (e.g., bills, invoices etc) and submit questions and objections to the accounts (to Audit Wales) if they wish.

Annual Return for the year ended 31 March 2021

The Annual Return for the financial year 2020/21 (ending 31 March 2021) was completed by the Deputy Clerk and acting RFO and is attached at **Annex 1**. This is the form required by the Auditor General for Wales, which will have to be published in due course, showing the headline income and expenditure details, the Annual Governance Statement and the Internal Audit report.

Internal Audit

There is no Internal Auditor report to consider.

Detail of Annual Return (Annex 2)

Particular things to note about the numbers are: -

- 1: The Precept shows a small increase of £6,042 compared with the previous financial year, as decided by the Council at its budget-setting meeting in January 2020.
- 2: A single Solar Farm Grant amounting to of £35,000 was paid compared with the two grants that were paid within the financial year 2019/20, which also contributed to the decrease in expenditure.
3. The costs shown for Grants and Donations Received would normally show the full amount of the Solar Farm Grant of £35,000. However, there is an accounting anomaly whereby a returned cheque from a previous year's Ward Grant of £200 for Councillor Vanessa Bartlett had to be accounted for and written back into our accounts.
- 4: Staff costs are paid through Blaenau Gwent County Borough Council's payroll system. Blaenau Gwent Council then invoices the Council for these costs quarterly. Staff costs appear to have almost doubled from £45,982 in 2019/20 to £80,189 in 2020/21, but this is because this council was not invoiced for the final quarter salary costs from 2019/2020 until the new Financial Year. So, the salary costs for 2019/20 covered only three quarters whereas the salary costs for 2020/21 cover five.

Annex 3 shows the details of all Council expenditure and income for 2020/21.

Accounts Summary

At the start of the 2020/21 year, the Council had an opening balance of £71,869.67 in its current account (**Annex 4**). It received income of £275,310.72 and incurred costs of £207,230.37 which included £35,000 transferred into the Reserve Account This resulted in a current account balance at the end of the year of £139,950.02.

Reserves (**Annex 5**) were increased during the year by £35,025.97. The majority of this was a transfer from Current Account of £35,000 as resolved at the Council meeting of 17 September 2020. Reserves at the end of the year stood at £96,074.42. This includes earmarked reserves of £5,000 for future external auditor costs. So, free reserves were £91,074.42. **(Note: The Council's budget for 2021/2022 was £260,343.23. Reserves were 34% of the overall budget figure, which is within the 25% to 100% of budget that guidance says we should have in Reserves).**

Overall, the Council had cash assets at the end of 2020/21 of £207,354 in three bank accounts. One account has only £4.85 in it. No action has yet been taken on the Council decision of 17 September 2020 to close this account down

Annex 6 is a bank reconciliation, showing the amount of cash at the bank (in all accounts) at 31 March 2020, minus liabilities that were outstanding at the time (i.e., uncashed cheques).

Annual Governance Statement

In agreeing the accounts for 2020/21, the Council is required to also agree the answers given in the Annual Governance Statement on page 3 of the Annual Return. The proposed answers to the questions are:

- 1: The answer is No. There were a number of finance orders and quarterly budget statements given to Members during 2020/21, but reporting was not complete.
- 2: The answer is No. There were times during 2020/21 where there was only a single member of staff and there was no oversight of the day-to-day financial affairs of the Council. This was exacerbated by the Covid restrictions that were in place and various HR issues that were ongoing throughout the financial year.
- 3: The answer is Yes. Council only did things it had a legal power to do so.
- 4: The answer is No. The Council did not publish a notice of electors' rights.
- 5: The answer is No. No review of Financial Risks was undertaken.
- 6: The answer is No. The councils accounts have not been seen by an Internal Auditor.
- 7: The answer is Yes
- 8: The answer is Yes

Audit Wales: external audit

Audit Wales currently hold our accounts for 2014/15, 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20 (six years). None of these have officially been signed off yet, pending the outcome of Audit Wales investigations into the 2014/15 accounts and a number of issues that arose during that year. Officers recently met Audit Wales to discuss the matter (see below).

Next Steps

Council needs to approve the Annual Return (i.e., the accounting statements) including the Annual Governance Statement before they are submitted to Audit Wales. The Annual Return and the other attachments (income and expenditure details, bank reconciliation, variance statement, explanation of assertions etc) will then be submitted to Audit Wales, along with any other evidence they require (e.g., dates of all meetings of Council and committees during the year and the Council's website address).

The Chair of the Council will sign page 4 of the Annual Return before it is submitted. The RFO has already signed the form, to certify that the accounting statements fairly present the financial position of the Council and its receipts and payments for the year.

Audit Wales will, in due course (the timescale is unknown and beyond the control of the Council) provide their external audit opinion on these accounts. The Annual Return can then be published in its final form on the Council's website. Pending external audit, they will be published as unaudited accounts at the appropriate time.

Conclusion

The attachments to this report, read together, form the Council's Annual Return and Annual Governance Statement for the year ended 31 March 2020, as required by the relevant legislation.

This year the accounts were not completed by 30 June (the normal timescale). However, they have been completed as soon as possible, and the external auditors are aware.

Recommendations:

- 1: That the Council agrees that the accounting statements shown in the report fairly present the financial position of the Council for the year ending 31 March 2021.
- 2: That the Council authorises the Chair of the Council to complete and sign the Annual Return on the basis of these accounts.
- 3: That the Council authorises the RFO to submit the Annual Return, including the Annual Governance Statement, for the year ended 31 March 2021 and all relevant associated documents to Audit Wales as required.

Meeting with Audit Wales

On Friday 8 April, Deryck Evans, Technical Manager for Audit Wales, met the clerks to discuss the Council's accounts. Audit Wales are the external auditors for all community councils in Wales.

As noted above, Audit Wales has not completed its external audit of the Council's accounts for 2014/15 onwards, pending a decision on how unlawful overpayments made in 2014/15 would be treated in this Council's accounts.

From 5 May this year, eligible community councils will be able to exercise the General Power of Competence laid out in the Localism Act 2011, which loosens a number of restrictions on what community councils can and cannot do.

In particular, the General Power of Competence will give an eligible community council more freedom to act outside its geographical area and to enter into commercial arrangements. This could open up opportunities, sometime in the future, for this Council to consider, for example, working in partnership with other community councils or investing in a local community social enterprise.

In order to claim 'eligible community council' status, this Council would need to have a number of years of unqualified auditor's opinions from the Auditor General for Wales. It is, therefore, important to this Council that the past accounts are audited by Audit Wales and that the unlawful overpayments and subsequent financial settlement are recorded in its accounts according to Audit Wales's requirements.

Our meeting with Mr Evans continued for more than four hours – during which the clerks were questioned at great depth – and we reached agreement on a number of pertinent topics:

- Audit Wales agreed to complete the audits of this council's past years' accounts;
- The financial settlements resulting from Audit Wales's report into unlawful payments will not be recorded in this Council's accounts until those for 2021-22 are submitted;
- A substantial proportion of community councils are yet to submit their annual return and accounts for 2020-21 (and nearly a hundred have not yet submitted theirs for the year before either). Audit Wales understands the reasons for these delays and confirmed that this council appears to have acted in

accordance with The Accounts and Audit (Wales) Regulations 2014 and Welsh Government guidance on the Preparation and Publication of Statutory Financial Accounts issued in April 2020 and updated a couple of weeks ago.

- Audit Wales understands our reasons for not having arranged an internal audit of the 2020/21 accounts. Mr Evans cautioned this council against appointing an internal auditor in haste. Audit Wales is concerned that, in order to tick a box, far too many community councils appoint internal auditors who lack suitable experience or who undertake dozens of internal audits of community councils in the space of only a couple of months. Audit Wales believes that many of these community councils have been given a false sense of security by internal audits that have not been carried out with sufficient rigour.
- In recent financial years, this Council has adopted the practice of making full provision for possible expenditure against certain budget lines (e.g., Members' allowances) even though past experience suggests that only a proportion of the budget will be spent. Audit Wales confirmed that this council's approach is correct.

Authors: David Cartwright and Stephen Edwards, Responsible Financial Officers
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