



Abertillery and Llanhilleth Community Council

Report on 2022/2023 Accounts and Annual Return

Author: David Cartwright – Responsible Financial Officer

Background

The Council is required to approve the accounts for the financial year 2022/23 and to submit them to Audit Wales, along with an 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 and presented to the Council, along with an Internal Auditor's report, by 30 June in any given year. They should then be sent to Audit Wales, for external audit.

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 2023

The draft Annual Return for the financial year 2022-23 (ending 31 March 2023) is attached. Once agreed by a meeting of the Full Council and duly signed, the form will be submitted to the Audit Wales (the Auditor General for Wales) and published on the Council's website.

The data from the Council's accounting system used to complete the form is shown in **Annex 2**. Abertillery and Llanhilleth Community Council's accounts for 2022-23 will undergo a full external audit by Audit Wales. The Council will, therefore, be required to submit substantial other accounts data in support of the figures in the Annual Return.

Internal Audit

The Council's internal auditor's report will be appended as a separate document.

Detail of Annual Return (Annex 3)

Particular points of note are:

For the fourth year in succession, the expenditure incurred by the Council during the financial year 2022-23 failed to meet its expected spending (its budget).

Council operations during 2020-21 were limited by Covid-19 restrictions and the Council set a reduced precept as a consequence. The precept (the major source of the Council's income) for 2022-23 was set £99,000 higher than the previous year in the expectation that, with Covid-19 restrictions having been lifted, the Council would carry out a significantly greater programme of events and initiatives. As it was, a number of these events and initiatives were not carried out and the total non-staff expenditure incurred by the Council in 2022-23 was only marginally higher than in the Covid-affected year of 2021-22 (£178,652 compared with £173,356). The Council's staff costs actually fell year-on-year (£60,766 compared with £67,913).

With the precept having been increased significantly but total expenditure stable, the Council generated a substantial underspend. By the end of the financial year, the total of the Council's accounting balances had risen from just over £200,000 to nearly £290,000. This was far more than the Council required in order to protect its operations against unexpected events and emergencies or to ride out the uneven pattern of its expenditure during 2022-23.

Staff costs are paid through Blaenau Gwent County Borough Council's payroll system. Blaenau Gwent Council then invoices this Council for these costs for each quarter. If there is a delay before these invoices are sent to this Council, staff costs incurred during one financial year may not be paid until the following financial year. These unreceived invoices are recorded as creditors so that the staff costs recorded in the

Annual Return accurately reflect the staff costs actually incurred by the Community Council in each financial year.

The Council funds the operation of two important youth engagement projects. The total costs of these projects for 2023-24 (£107,537) were paid at the end of March 2023. These costs are included in debtors as they pertain to the financial year 2023-24. Consequently, the 'total other payments' recorded in the Annual Return accurately reflect the non-staff costs of the Council's operations in 2022-23.

Annex 4 shows the details of all Council expenditure and income for 2022/23.

Accounts Summary

At the start of the financial year 2022-23, the Council had an opening balance of £148,779.63 in its current account (**Annex 5**). It received income of £327,851.08 and made payments totalling £293,091.33. This resulted in a current account balance at the end of the year of £183,539.38.

Reserves (**Annex 6**) increased during the year by £10,156.80. The majority of this came from the reclaim of VAT paid during the previous financial year. Reserves at the end of the year stood at £117,258.17. Official guidance suggests that community councils should hold in reserves an amount equivalent to 25 percent-to-100 percent of the budget. The Council's budget for 2023-24 is £376,451. Free reserves at the start of 2023-24 were 29 percent of the budget figure.

The Council has three bank accounts: a current account; a reserves account and an old current account (the balance of which was less than £5). Overall, the Council had total cash assets at the end of 2022-23 of £300,802.42.

Annual Governance Statement

In agreeing the accounts for 2022-23, 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 given below:

1: **Yes.** The preparation and approval of accounting statements for 2022-23 were completed before the end of June 2023

2: **Yes.** The Council operates a procedure whereby the majority of day-to-day payments and receipts (and their entry into the Council's online accounts system) are handled by one officer while periodic checking of payments, the compilation of financial reports and the preparation of the Council's annual accounts are handled by another. This provides an adequate internal system of cross-checking throughout the financial year. However, it should be noted that, although all invoices were checked by the Council's cheque signatories before payments were made, no Member of the Council oversaw a bank reconciliation or monitored, inspected and reviewed the Council's financial records at any point during the year.

3: **Yes.** The Council only did things it had a legal power to do so.

4: **Yes.** A notice of electors' rights for the Council's 2021-22 accounts was published in accordance with the Regulations.

5: **No.** No review of financial risks or update of the Council's asset register has been undertaken for more than three years.

6: **Yes.** The Council's internal auditor carried out an interim inspection of the Council's financial records in March 2023 and will provide an internal auditor's report on the full accounts for 2022-23.

7: **Yes.**

8: **Yes.**

Conclusion

The attachments to this report, read together, form the Council's Annual Return and Annual Governance Statement for the year ended 31 March 2023, as required by the relevant legislation.

Next Steps

The Annual Return (i.e., the accounting statements) plus an Annual Governance Statement will go before the Full Council for approval before they are submitted to Audit Wales.

The Council will be recommended to:

- agree that the accounting statements shown in this report fairly present the financial position of the Council for the year ending 31 March 2023;
- authorise the Chair of the Council to complete and sign the Annual Return on the basis of the accounts;
- authorise the Responsible Financial Officer to submit the Annual Return, including the Annual Governance Statement, for the year ended 31 March 2023 and all relevant associated documents to Audit Wales as required.

The Annual Return and 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 required by the external auditor (e.g., dates of all meetings of Council and committees during the year and the Council's website address).

The Chair of the Council and the Responsible Financial Officer will sign the Annual Return before it is submitted 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 its external audit opinion on these accounts. The Annual Return can then be published in its final form on the Council's website. Pending the external audit, the accounts will be published as 'unaudited accounts.'

David Cartwright
Clerk and Responsible Financial Officer
June 2023

Community and Town Councils in Wales

Annual Return for the Year Ended 31 March 2023

Accounting statements 2022-23 for:

Name of body: Abertillery and Llanhilleth Community Council

| | Year ending | | Notes and guidance for compilers |
|--|-------------------------|-------------------------|--|
| | 31 March 2022 (£) | 31 March 2023 (£) | |
| Statement of income and expenditure/receipts and payments | | | |
| 1. Balances brought forward | 217,794 | 204,383 | Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year. |
| 2. (+) Income from local taxation/levy | 190,000 | 289,000 | Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies. |
| 3. (+) Total other receipts | 37,857 | 35,992 | Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants. |
| 4. (-) Staff costs | 67,913 | 60,766 | Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, taxable allowances, PAYE and NI (employees and employers), pension contributions and termination costs. Exclude reimbursement of out-of-pocket expenses. |
| 5. (-) Loan interest/capital repayments | 0 | 0 | Total expenditure or payments of capital and interest made during the year on external borrowing (if any). |
| 6. (-) Total other payments | 173,356 | 178,652 | Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5). |
| 7. (=) Balances carried forward | 204,383 | 289,958 | Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6). |
| Statement of balances | | | |
| 8. (+) Debtors | 10,123 | 116,317 | Income and expenditure accounts only: Enter the value of debts owed to the body at the year-end. |
| 9. (+) Total cash and investments | 242,012 | 190,507 | All accounts: The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation. |
| 10. (-) Creditors | 47,752 | 16,886 | Income and expenditure accounts only: Enter the value of monies owed by the body (except borrowing) at the year-end. |
| 11. (=) Balances carried forward | 204,383 | 289,958 | Total balances should equal line 7 above: Enter the total of (8+9-10). |
| 12. Total fixed assets and long-term assets | 206,015 | 206,015 | The asset and investment register value of all fixed assets and any other long-term assets held as at 31 March. |
| 13. Total borrowing | 0 | 0 | The outstanding capital balance as at 31 March of all loans from third parties (including PWLB). |

Annual Governance Statement

We acknowledge as the members of the Council/Board/Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2023, that:

| | Agreed? | | 'YES' means that the Council/Board/Committee: | PG Ref |
|--|---------|-----|---|----------|
| | Yes | No* | | |
| 1. We have put in place arrangements for: <ul style="list-style-type: none"> • effective financial management during the year; and • the preparation and approval of the accounting statements. | ✓ | | Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law. | 6, 12 |
| 2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness. | ✓ | | Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge. | 6, 7 |
| 3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Council/Board/ Committee to conduct its business or on its finances. | ✓ | | Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so. | 6 |
| 4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014. | ✓ | | Has given all persons interested the opportunity to inspect the body's accounts as set out in the notice of audit. | 6, 23 |
| 5. We have carried out an assessment of the risks facing the Council/Board/Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required. | | ✓ | Considered the financial and other risks it faces in the operation of the body and has dealt with them properly. | 6, 9 |
| 6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor. | ✓ | | Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body. | 6, 8 |
| 7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council/Board/Committee and, where appropriate, have included them on the accounting statements. | ✓ | | Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant. | 6 |
| 8. We have taken appropriate action on all matters raised in previous reports from internal and external audit. | ✓ | | Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors. | 6, 8, 23 |
| 9. Trust funds – The body acts as sole trustee for and is responsible for managing trust fund(s)/assets. We exclude transactions related to these trusts from the Accounting Statement. In our capacity as trustee, we have discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit. | | | Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts. | 3, 6 |
| | | ✓ | | |

* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

Additional disclosure notes*

The following information is provided to assist the reader to understand the accounting statement and/or the Annual Governance Statement

1. Expenditure under S137 Local Government Act 1972 and S2 Local Government Act 2000

Section 137(1) of the 1972 Act permits the Council to spend on activities for which it has no other specific powers if the Council considers that the expenditure is in the interests of, and will bring direct benefit to, the area or any part of it, or all or some of its inhabitants, providing that the benefit is commensurate with the expenditure. Section 137(3) also permits the Council to incur expenditure for certain charitable and other purposes. The maximum expenditure that can be incurred under both section 137(1) and (3) for the financial year 2022-23 was £8.82 per elector.

In 2022-23, the Council made payments totalling £0 under section 137. These payments are included within 'Other payments' in the Accounting Statement.

2.

3.

* Include here any additional disclosures the Council considers necessary to aid the reader's understanding of the accounting statement and/or the annual governance statement.

Council/Committee approval and certification

The Council/Committee is responsible for the preparation of the accounting statements and the annual governance statement in accordance with the requirements of the Public Audit (Wales) Act 2004 (the Act) and the Accounts and Audit (Wales) Regulations 2014.

| | |
|---|--|
| <p>Certification by the RFO</p> <p>I certify that the accounting statements contained in this Annual Return present fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly present receipts and payments, as the case may be, for the year ended 31 March 2023.</p> | <p>Approval by the Council/Board/Committee</p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:</p> |
| <p>RFO signature:</p> | <p>Minute ref:</p> |
| <p>Name:</p> | <p>Chair signature:</p> |
| <p>Date:</p> | <p>Name:</p> |
| <p>Date:</p> | <p>Date:</p> |

Annual internal audit report to:

Name of body: **Abertillery and Llanhilleth Community Council**

The Council/Board/Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2023.

The internal audit has been carried out in accordance with the Council/Board/Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council/Board/Committee.

| | Agreed? | | | | Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body) |
|---|---------|-----|-----|---------------|--|
| | Yes | No* | N/A | Not covered** | |
| 1. Appropriate books of account have been properly kept throughout the year. | | | | | |
| 2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for. | | | | | |
| 3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these. | | | | | |
| 4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate. | | | | | |
| 5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for. | | | | | |
| 6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for. | | | | | |
| 7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied. | | | | | |
| 8. Asset and investment registers were complete, accurate, and properly maintained. | | | | | |

| | Agreed? | | | | Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body) |
|--|---------|-----|-----|---------------|--|
| | Yes | No* | N/A | Not covered** | |
| 9. Periodic and year-end bank account reconciliations were properly carried out. | | | | | |
| 10. Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments/income and expenditure), agreed with the cashbook, were supported by an adequate audit trail from underlying records, and where appropriate, debtors and creditors were properly recorded. | | | | | |
| 11. Trust funds (including charitable trusts). The Council/Board/Committee has met its responsibilities as a trustee. | | | | | |

For any risk areas identified by the Council/Board/Committee (list any other risk areas below or on separate sheets if needed) adequate controls existed:

| | Agreed? | | | | Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body) |
|-----|---------|-----|-----|---------------|--|
| | Yes | No* | N/A | Not covered** | |
| 12. | | | | | |
| 13. | | | | | |
| 14. | | | | | |

* If the response is 'no', please state the implications and action being taken to address any weakness in control identified (add separate sheets if needed).

** If the response is 'not covered', please state when the most recent internal audit work was done in this area and when it is next planned, or if coverage is not required, internal audit must explain why not.

[My detailed findings and recommendations which I draw to the attention of the Council/Board/Committee are included in my detailed report to the Council/Board/Committee dated _____.] * Delete if no report prepared.

Internal audit confirmation

I/we confirm that as the Council's internal auditor, I/we have not been involved in a management or administrative role within the body (including preparation of the accounts) or as a member of the body during the financial years 2021-22 and 2022-23. I also confirm that there are no conflicts of interest surrounding my appointment.

Name of person who carried out the internal audit:

Signature of person who carried out the internal audit:

Date: