

Steve Edwards
Clerk
Abertillery Community Council
Council Offices
Mitre Street
Abertillery
Blaenau
Gwent
NP13 1AE

3rd May 2024

Dear Steve,

Year End audit Cover Letter (with Interim)

An audit was carried out by Kevin Rose on Friday 3 May 2024. This was the Year End audit following on from the interim audit carried out on 4 March 2024.

The audit was undertaken using the standard IAC Audit Checklist, which we use for all Welsh Local Councils, which has 180 items. A total of 20 items were tested during this audit in addition to the 145 items tested and checked during the interim audit. 15 further items were checked during this audit and confirmed as being 'Not Applicable' to Your Council. All items on the checklists were tested during the year.

Areas subject to audit were;

- Risk and insurance (Box 3)
- Budget and precept setting and monitoring (Box 4)
- Payroll(Box 7)
- Assets and investments (Box 8)
- Bank reconciliations (Box 9)
- Accounting Statements (Box 10)

Summary of tests undertaken this audit

Positive response	14
Negative response	6
Not Applicable to your Council	15
Total tests carried out	<u>35</u>

Of the 20 applicable items tested a Positive response was obtained in respect of 14 tests. There were 6 Negative responses identified and 6 Observations were made, details of which are set out in the attached Year End Internal Audit Observations.

Summary of tests undertaken for the financial year (including the Interim audit)

Positive response	88
Negative response	23
Not Applicable to your Council	69
Total tests carried out	<u>180</u>
Tests not carried out	Nil

I am pleased to advise that no 'Non-Compliances' were identified that would give rise to a negative response on the statutory Annual Internal Audit Report.

I would like to express my thanks for the assistance provided to me during my audit.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K. Rose', written in a cursive style.

Kevin Rose ACMA
Director

Aberthillery and Llanhilleth Community Council



Interim Audit Date: 04/03/2024
 Year End Audit Date: 03/05/2024

Internal Audit Summary for the year 2023-24

(shaded Internal Control Objectives are not applicable to your Council)

Internal Control Objective	Observations	Observation Analysis				Responses			
		Non-Compliance	High	Medium	Low	Advisory	Positive	Negative	Not Checked
1 Appropriate books of account have been properly kept throughout the year.	1	0	1	0	0	0	5	1	0
2 Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	5	0	1	4	0	0	28	5	10
3 The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	2	0	2	0	0	0	8	2	2
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.	3	0	2	1	0	0	10	3	3
5 Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	6	0	4	2	0	0	4	7	14
6 Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9
7 Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	0	0	0	0	0	0	11	0	13
8 Asset and investment registers were complete, accurate, and properly maintained.	5	0	3	2	0	0	3	5	3
9 Periodic and year-end bank account reconciliations were properly carried out.	0	0	0	0	0	0	12	0	4
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.	0	0	0	0	0	0	7	0	4
11 Trust funds (including charitable trusts) The Council/Board/ Committee has met its responsibilities as a trustee.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7
Total	22	0	13	5	0	0	88	23	62

Abertillery and Llanhilleth Community Council Financial Year 2023-24



IAC Audit and Consultancy Ltd

Audit date: 4 March 2024

Interim Internal Audit Observations

1 Appropriate books of account have been properly kept throughout the year.

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Have Minutes been signed in accordance with the requirements of Schedule 12-paragraph 41 (2) the Local Government Act 1972 (this requires each page to be initialled and the final page signed)	No	It was noted that Minutes had not been signed in accordance with the requirements of the Local Government Act 1972. They have been signed (but not dated) on the final page, individual pages have not been initialled.	The Council to ensure that Minutes of meetings are signed in accordance with the legislative requirements. In particular Minutes of meetings should be initialled on each page and signed and dated on the final page.	High	

2 Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Is Clerk CILCA qualified?	No	The Clerk is not CILCA qualified.	The Council should consider whether the Clerk should be CILCA qualified.	Medium	
2	Have invoices been approved as required under Council Financial Regulations? (paragraph 5.3 of the Model Financial Regulations)	No	Invoices have not been approved as required under the Councils Financial Regulation 5.3 which requires that "All invoices for payment shall be examined, verified and certified by the RFO".	Council to ensure that invoices are 'verified and certified' in accordance with Financial Regulations.	Medium	

3	Have payments been approved as required under Council Financial Regulations?	No	<p><i>From a review of Minutes it is not clear that Council has formally approved payments. From January 2024 the Council has Minuted a review of Bank Reconciliations and these include a listing of payment and receipts.</i></p>	<p>The Council to formally Minute review and approval of payments made for this financial year, for the period prior to January 2024.</p> <p>The Council consider amending the wording of the Agenda and Minutes to state that this relates to the "Review and Payments" rather than of just the bank reconciliation.</p>	High
4	Are Powers under which grants are made clearly specified in Council Minutes?	No	<p><i>Minutes of October 2023 onwards do not record the powers under which grants were awarded.</i></p>	<p>The Council to ensure that the appropriate Power under which grants are made is recorded in the Minutes of the meeting in which the grants are approved.</p>	Medium
5	if the Council is a tenant under leases, are the lease agreements current?	No	<p><i>It is understood that the ownership position of four allotments is unclear. One lease is under renewal. The Council is aware of this and is working towards clarifying the status.</i></p>	<p>The Council to note the need to resolve the ownership position of the allotments.</p>	Medium

3 The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Council has formally documented Internal Controls	No	<p><i>Council has not formally documented Internal Controls</i></p>	<p>Council should formally document its Internal Controls.</p>	High	
2	The Council, meeting as a whole, has reviewed the effectiveness of its internal control system as required by Regulation 6 of the Accounts and Audit Regulations 2015	No	<p><i>The Council has not reviewed the effectiveness of its internal control system as required by Regulation 5 (2) of the Accounts and Audit Regulations (Wales) 2014.</i></p>	<p>Council to note the requirement for it to regularly review its internal control system.</p>	High	

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.

No.	Audit Test	Priority	Comments
-----	------------	----------	----------

1	The Council formally set a budget	Yes	<i>Minutes of the budget and precept meeting held on 25th January 2023 record detailed discussion of budget line items, but do not record formal approval of the total budget.</i>	The Council to note that Minutes do not record when the Budget for the year was approved. The Council to ensure that, in future, approval of the budget is formally recorded in the Minutes of the meeting at which it was approved.	High	
2	Regular budget reports have been presented to council and there is evidence that corrective actions have been taken as a result of review	No	<i>The Council does not currently have a process for the regular review of financial performance against budget. It is understood that the Council will institute a system for the regularly review on a quarterly basis.</i>	The Council should ensure that progress against budget is subject to regular review during the year, either through meetings of Full Council or a nominated Committee.	High	
3	Any significant variations from budget have been subject to review by Council?	No	<i>see above</i>	see above	High	

5 *Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for*

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Is there is an investment policy in place? (obtain copy)	No	<i>The Council does not have a formal Investment Policy in place.</i>	The Council should note that it is a specific requirement of the 'Statutory Guidance on Local Government Investments' paragraph 14 that Local Councils with total investments above £100,000 have in place an Investment Strategy. (An example strategy has been provided to the Clerk)	High	
2	Has the Investment Strategy been published on the Councils website?	No	<i>see Observation 1 above</i>	Council to ensure that its Investment Strategy is published on its website in accordance with statutory guidance.	Medium	

3	Is income due on investments subject to regular check and verification? (is investment performance regularly reported to Council?)	No	<i>Income due on investments is not subject to a process of formal, regular, review. It was noted that the Council is now earning an improved rate of interest due to the movement of funds to Unity bank, but the rate of interest on this account is still below the rate of interest being earned by other Councils with similar levels of cash balances.</i>	The Council should put in place arrangements for the regular review and reporting of investment performance. This review should be recorded in Minutes of the appropriate meeting.	High	
4	Has the Investment Strategy been subject to annual review?	No	<i>see Observation 1 above</i>	Council to ensure that its Investment Strategy is subject to annual review (this could be carried out as part of the budget process)	High	
5	If the Council receives income under leases, are the lease agreements current?	No	<i>The Council owns a number of allotments which at let out under leases. At present these are not up to date and the Council agreed at the meeting of 31st January 2024 to suspend rents for this financial year.</i>	Council to review and update its lease agreements	Medium	
6	VAT has been promptly reclaimed	No	<i>It was noted that the reclaim of VAT received in June 2023, had been credited to an income code 1900, rather than being credited against the VAT debtor code 105.</i>	The Council to note that the receipt of VAT is not an item of income, it is receipt against a debtor balance, and should be credited against the nominal code 105. The Council should arrange to journal the balance from nominal 1900 to nominal 105.	High	

11 Trust funds (including charitable trusts). The Council/Board/ Committee has met its responsibilities as a trustee.

No. Audit Test

Response

Observation

Recommendation

Priority

Comments

1	Trust income and expenditure has been transacted through a separate bank account in the name of the Trust and has not been recorded in Councils accounts	N/A	<p><i>It was noted that income relating to the Mayor's Charity had been credited to a Council income code 1200. This is not income to the Council and should have been recorded as a credit to balance sheet nominal code 502.</i></p> <p><i>Similarly expenditure in respect of the Mayor's Charity has been debited to nominal code 4955 instead of nominal code 502.</i></p>	<p>The Council to note that income and expenditure in respect of the Mayors Charity is not income or expenditure of the Council. All transactions in respect of the Mayors Charity should be posted to nominal 502.</p> <p>The Council to arrange a journal to recode the income of £824.83 on nominal code 1200 to nominal code 502.</p> <p>The Council to arrange a journal to recode the expenditure of £938.79 on nominal 4955 to nominal code 502.</p>	Medium	
---	--	-----	---	---	--------	--

Abertillery and Llanhilleth Community Council Financial Year 2023-24



Year End Internal Audit Observations

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.

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Council has returned to IAC completed Internal Audit Observations spreadsheets from prior audit(s)	No	The Council has not provided its response to the Internal Audit Observations from the previous audit and returned it to IAC.	Council to provide its comments on the previous Internal Audit Observations.	Medium	

8 Asset and investment registers were complete, accurate, and properly maintained.

No.	Audit Test	Response	Observation	Recommendation	Priority	Comments
1	Assets purchased / disposed of have been added to / removed from asset register	No	It was not possible to agree the change in Asset value between the 2023 Accounting Statements and 2024 Accounting Statements	Council to prepare a detailed schedule listing the changes of assets (additions and disposals) the total of which should agree to the change in the asset values from 2023 to 2024.	High	
2	Continuing existence of assets is checked on a regular basis (when was last check?)	No	It is unclear when the Council undertook a formal physical verification of its assets.	The Council should put in place a process for the regular review and verification of its assets. Assets of a high value or which may be particularly vulnerable should be subject to verification at more frequent intervals.	Medium	
3	Total of Asset Register agrees to Box 9 value of Accounting Statements	No	It was not possible to agree the Asset Register to the value stated in Box 9 of the Accounting Statements	Council to review the value stated in Box 9 and ensure that it agrees to the total value stated on the Asset Register.	High	

4	Movement on asset register agrees to additions to disposals made in the year	No	See Observations above	See Observations above	High	
5	Asset register records the value of any outstanding loans made	No	<i>The Council has a long term debtor due to it as a result of a court judgement in its favour. At present this is not recorded as an Asset on the Asset Register.</i>	The asset register to be updated to include the outstanding value of any long term debts due to the Council.	Medium	