

Mrs. Clare Hope
Finance Officer to Llannon Community Council
Tumble Hall
Heol y Neuadd
Tumble
Carmarthenshire
SA14 6HR

23rd September 2023

Dear – RFO or Clerk to the Community Council

**Re: Llannon Community Council
Annual Return 2021/2022 – Internal Audit Report**

I have been offered the opportunity to undertake the position of Internal Auditor for Llannon Community Council from the previous Auditor for the financial years 2021/2022 to 31st March 2022 and follow the set guidelines as outlined by Audit Wales (formerly Wales Audit Office).

No specific brief has been provided and an open and new impartial view has been adopted to provide a true and independent status of the financial affairs of Llannon Community Council as of 31st March 2022.

The responses to the internal audit section of the Annual Report will be Yes and No answers, based on the scope of the audit. I understand there have been many misdoings and inadequacies in the previous years leading up to the year to 31st March 2022. My scope of this audit is merely to concentrate on the latest financial year (s) and retract from any views on the previous years, to conduct and confirm a true, fresh and a fair audit opinion. However, a new approach has been adopted by the community council from December 2022 and these methods, from the outset are totally adequate, well controlled and easy to follow. The previous internal auditor has not alluded to this.

Findings and Council Expectations:

1. Appropriate Book and Records have been properly kept throughout the year:

I am totally satisfied that the council has adhered to the correct accounting practice and the totals of the financial reports reflect the correct financial position. All balances and checks are complete and reconciled.

2. Financial regulations have been met, payment supported by invoices, expenditure approved and VAT appropriately accounted for:

Financial regulations are now fully in place (from the 2022/23 Year) and being adhered to. I am satisfied that all payments have been supported by the correct documentation and at least 3 signatures are apparent on all payment paperwork –

being the RFO/Clerk and a further 2/3 members from the council. Also, to verify this process, two members of the finance committee oversees the verification of all invoices and payments in accordance to the bank transactions.

VAT is accounted for correctly, vigorously and accordingly but not filed with HMRC (No VAT Registration is yet required). The treatment of VAT is currently under review with regards to input and output purposes of various activities that take place.

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

I believe, in the year 2021/2022 that the Council has addressed all risks associated with the financial records and controls. However, I will be providing risk assessments in relation to this. Also, however, due to the strength, accuracy and diligence of the financial records, previous risks from previous years have now been totally addressed from the 2022/2023 year.

4. The annual Precept demand requested from an adequate budgetary process: progress against the budget was regularly monitored and reserves were appropriate.

I was not presented with the background to the precept demand. However, I am advised the council members have agreed on the appropriate Precept and are now being presented monthly with budget reports against actual expenditure. There is a variance analysis shown, matching the budget to actual expenditure and explanations on variances discussed.

From the evidence presented to me, council members are now aware of all income and expenditure transactions in finite detail via income and expenditure income/cost heads.

5. Expected income was fully received and based on correct prices then properly recorded and promptly banked with VAT appropriately accounted for.

All income received by the council is properly documented, accounted for and banked in a timely manor.

6. Petty Cash.

I believe that there was a Petty Cash impress system in place and all balanced.

7. Salaries to employees and allowances to members were paid in accordance with minuted approvals and PAYE and NICO requirements were properly applied.

The RFO/Clerk now facilitates this arrangement on a monthly basis and staff remuneration costs, including PAYE and NICO, are highlighted individually on the financial reports and on a regular basis.

8. Asset and Investment Registers were complete, accurate and properly maintained.

I had no previous evidence of this being addressed and action is necessary to construct this register.

9. Periodic and year-end bank reconciliations were properly carried out.

I am pleased to say that all bank reconciliations have been in place on a monthly basis and reconcile to the original bank statements. Full explanations have been provided on any variances e.g. uncashed cheques etc. I can also confirm the end of year bank reconciliation matches the actual bank accounts/balances. This whole process is underpinned by the RFO/Chair of Finance.

10. Accounting statements prepared during the year were completed on a correct accounting basis (Income and Expenditure or Receipts and Payments) agreed with the Cash Book, supported with an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

I can confirm and have evidenced that is fully in place since January 2021. All supporting documentation relating to each entry has been correctly accounted for and authorised.

11. Trust Funds

The council has no trust funds.

12. Risk areas identified by the Council.

I refer back to item 3.

Conclusion:

I believe and evidenced that all financial risks have been indentified, are reacted upon and addressed. I am happy to state that the 2021/2022 financial year represents a true and fair view of the finances of the council to 31st March 2022.

I am not aware of any ongoing, long process investigations into any alleged financial irregularities of the previous and current years and confirm from the records presented to myself for 2021/2022 - under this audit, no such irregularities have taken place.

It follows from this that the council must complete an Annual Governance statement confirming that to the best of their knowledge and belief, with respect to the accounting statements for the year ended 31st March 2022 that: -

1. Effective Financial Management -

Is now properly setting its annual budget and maintaining its finances and is approving/applying its accounting statements as prescribed by law.

2. Internal Controls -

They have been measured and tested and adequate controls are in place to alleviate and detect frauds with total effectiveness.

3. Compliance with Laws –

Work within the legal power to do so.

4. Electors Rights –

All interested person are entitled to inspect and review the council's accounts.

5. Are due to carry out an assessment –

Assess the risks facing the council.

6. Internal Audit –

As per the former Internal Auditor, a competent person has been appointed into this position.

7. Other –

Take appropriate action on matters raised and mentioned by the Internal Auditor.

Other matters not relating to the Accounts –

1. Terms of reference –

The council should continue drawing up its terms of references for their committee and contracts etc.

2. Wellbeing for future Generation Wales Act 2015

Councillors should be made to continue to be aware of the implications and responsibilities towards this Act. Llannon Community Council has a duty to adhere to its precept value, which is in excess of £200,000.00 for the past three years.

I would like to take this opportunity to thank Llannon Community Council for the appointment as Internal Auditor.

As previously mentioned, my appointment is based from the 2021/2022 financial years going forward. I understand and fully comply with the previous years issues and will be available for assistance on these years if required.

I will finally add and admire the sheer diligence the council and particular the RFO/Clerk have adopted from the assumed mismanagement of the past years and have created a solid financial platform going forward and long may it continue.

I trust that you accept the above report and if you need further clarification, please do not hesitate to contact me.

M.I. Morris & Co. Ltd