
MM M.I. Morris & Co Ltd

Accountants, Taxation and Business Consultants

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12th May 2026

Dear – Chief Officer to the Community Council

Internal Audit Report for Llannon Community Council
Financial Year: 2025/2026 (1st April 2025 – 31st March 2026)
Prepared by: M.I. Morris & Co. Ltd
Engagement Letter Date: 21ST April 2026

Introduction

I have been appointed as the Internal Auditor for Llannon Community Council for the financial year ending 31 March 2026. This appointment marks the fourth consecutive year of my engagement, following the Internal Audit Reports for 2022/2023 to 2024/2025.

The audit was conducted in accordance with the guidance issued by Audit Wales (formerly the Wales Audit Office) under Section 52 of the Public Audit (Wales) Act 2004. The purpose of this internal audit is to provide an independent and impartial review of the financial affairs of Llannon Community Council for the year ending 31 March 2026.

No specific brief was provided by the Council. Accordingly, the audit has been undertaken independently and objectively, ensuring compliance with good governance principles and statutory audit standards.

Scope of Audit

The internal audit focused exclusively on the financial year 2025/2026. Financial issues identified in previous years, as noted in earlier reports, have now been fully addressed by the Council following procedural and governance changes implemented from December 2022 onwards.

I am pleased to note that Audit Wales has now completed the external audits for the financial years 2021/2022 through to 2024/2025. These audits demonstrate clear progression in the Council's governance and financial controls, with the 2024/2025 audit receiving an unqualified opinion and no further recommendations.

Audit testing and verification included:

- Maintenance of bookkeeping and cash book records
- Bank reconciliations and trial balance verification
- Review of computerised accounting records (Microsoft Excel-based)
- Meetings with senior Council officials
- Evaluation of internal control procedures
- Verification of payment processes, VAT returns, and payroll systems

Summary of Findings

1. Bookkeeping and Records

All accounting records were properly maintained throughout the year. The financial reports reviewed present a true and fair view of the Council's financial position.

2. Financial Regulations and VAT

The Council's Financial Regulations, originally implemented during the 2022/2023 financial year and updated for 2025/2026, are being consistently followed. All payments reviewed were supported by appropriate documentation and authorised in accordance with Council procedures. VAT has been properly accounted for and submitted through HMRC's Making Tax Digital (MTD) system.

3. Risk Management

The Council formally adopted a Risk Register on 27 November 2024 following detailed consideration by the Finance Committee. The register is now in operation and forms part of the Council's governance framework.

4. Budgetary Process and Precept

The annual precept was determined through an appropriate budget-setting process. Regular budget monitoring reports comparing actual expenditure against budget are reviewed by Council members, with significant variances documented and explained appropriately.

5. Income Recording and VAT

All income sampled during the audit was properly recorded, received in full, banked promptly, and correctly treated for VAT purposes where applicable.

6. Petty Cash

A petty cash system remains in operation. A closing balance of £976.02 was recorded and carried forward at year-end. This balance reconciles to supporting records and forms part of the overall year-end reconciliation.

7. Payroll and Employee Payments

Salaries, allowances, PAYE, National Insurance contributions, and pension deductions were correctly processed in accordance with Council approvals and supporting minutes.

8. Asset and Investment Registers

A professional valuation of Council buildings was completed in 2025. An asset register showing a net book value of £1,394,200.46, consistent with the value declared in the Annual Return, was ratified by the Council in June 2025. This is reviewed on a bi-annual basis.

9. Bank Reconciliations

Monthly and year-end bank reconciliations were properly completed and reviewed. All variances identified were satisfactorily explained and agreed to original bank statements.

10. Accounting Basis and Audit Trail

The Council has applied the appropriate accounting basis for its accounts. Accounting statements reviewed agree to the cash book and are fully supported by underlying documentation and audit trails.

11. Trust Funds

The Council does not administer any trust funds.

12. Risk Areas Identified by the Council

No additional risk areas were identified by the Council during the audit period.

Governance Assurance

Based on the evidence and documentation provided during the audit, I am satisfied that Llannon Community Council, for the year ended 31 March 2026:

1. **Financial Management** – Has set its annual budget appropriately and maintained accurate accounting records in accordance with statutory requirements.
 2. **Internal Controls** – Has effective internal control systems in place which are operating satisfactorily.
 3. **Compliance** – Operates within its statutory powers and responsibilities.
 4. **Electors' Rights** – Has acknowledged and complied with the requirements relating to public inspection of accounts.
 5. **Risk Assessment** – Maintains a financial risk register and follows established procedures for risk management.
 6. **Internal Audit Appointment** – Has appointed an Internal Auditor in accordance with relevant regulations.
 7. **Action on Previous Audit Recommendations** – Has acted upon recommendations made in previous audit reports.
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Other Matters

1. Well-being of Future Generations (Wales) Act 2015

The Council has considered its duties under Section 40 of the Well-being of Future Generations (Wales) Act 2015 and has completed the required report. This will be incorporated within the Council's Annual Report and published on the Council's website.

Conclusion

Based on the audit work undertaken, I confirm that the financial records of Llannon Community Council for the year ending 31 March 2026 present a true and fair view of the Council's financial position. No irregularities were identified during the course of the audit.

I commend the Chief Officer and Deputy Clerk/RFO for their continued diligence and professionalism in maintaining and improving the Council's financial controls and governance arrangements.

I would also like to thank Llannon Community Council for the opportunity to undertake this audit and for the cooperation and assistance provided throughout the process.

My appointment as Internal Auditor for the 2026/2027 financial year has yet to be confirmed. However, I remain available should any clarification or assistance be required regarding current or prior financial years.

M.I. Morris & Co. Ltd

Internal Auditor
May 2026

A handwritten signature in black ink, appearing to be 'M.I. Morris', written over a horizontal line. The signature is stylized and cursive.