

11th July 2022

**Maesteg Town Council,
Council Offices,
Talbot Street,
Maesteg
CF34 9BY**

Dear Clerk and Maesteg Town Councillors

**Re: Internal Audit of Maesteg Town Council's Accounts
For the financial Year 2021/2022 - The Annual Return**

I thank you for giving me the opportunity to audit the council's accounts for the above-mentioned financial year.

I congratulate the Clerk/RFO on the professional standards of bookkeeping that have been maintained throughout the financial year and of the easy access in obtaining information relating to the council's accounts and administration.

I appreciate that my appointment has transpired as a result of your previous Internal Auditor's, alleged inability to complete the audit on time, however, it appears that he has submitted a written response indicating that all his sections of the Annual Return have been attended to; albeit, the Annual Return itself was not completed and signed off by Mr. Morris.

This placed your council in a difficult situation with Audit Wales, you had however no alternative other than appointing a replacement without delay and I believe the Executive Director at Audit Wales may accept this as a genuine reason for the delay.

I am pleased to inform you that I have today completed the internal audit and explain my findings below. (Continues)

Details of my Internal Audit findings are based on Audit Wales Annual Return requirements and I should be obliged if you and Council Members scrutinise it prior to your meeting.

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

Response - Yes, appropriate books of account were adequately kept by the RFO. The means of recording transactions were on an Excel system, which, is quite suitable for the numerous transactions made during the year.

The entries to the computerised cashbook were easy to follow and all reconciled with legitimate invoices or vouchers authorising such payments.

2. ***Requirement- Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for***
Response - Having studied your Financial Regulations statement I am satisfied that they were rigorously adhered to by your RFO and as mentioned above all payments made were supported by genuine invoices. As an additional safeguard, payments (before being put before council) were scrutinised by your various Chairs of Finance.

Value Added Tax was accurately recorded and reclaimed on a quarterly basis.

3. ***Requirement- The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.***
Response - I have studied the council's risk assessment schedules and I have been assured that they are up to date and reviewed annually.

However, given that council is now responsible for four employees with one subjected to outdoor work, I recommend that the risks associated with this particular form of employment are regularly reviewed.

4. ***The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored and reserves were adequate.***
Response - The minutes of the Precept meeting indicate a rigorous debate around the submitted up to date accounts and the recommendations for future expenditure. Members, in my opinion, sensibly agreed to retaining the precept to the previous year's level by bearing in mind that reserves were adequate and future capital expenditure could therefore be managed.

With members being supplied with a monthly receipts and payments account together with expenditure comparisons to budget estimates, they could be confident that current bank balances and specific reserves were being adequately maintained. (Continues)

5. ***Requirement- Expected income was fully received, based on correct prices properly recorded and promptly banked and VAT was appropriately accounted for.***
Response - I am confident that all income e.g. Precept, Rights of Way recovery, bank interest and rental charges were fully received and banked accordingly. VAT, as mentioned above, was reclaimed on a regular quarterly basis.
6. ***Petty cash payments*** - Not applicable
7. ***Salaries to employees and allowances to members were paid in accordance with minuted approvals and PAYE and NI requirements were properly applied***

Response - I have studied the existing four contracts of employment and I am satisfied of the terms and conditions applied to each. All salaries and wages paid were minuted and approved by council and PAYE, NI and pension deductions were recorded correctly. Pay rates (for office staff) as supplied by *NALC* were also applied correctly.

8. ***Asset and Investment registers were complete, accurate and properly maintained***

Response - Regrettably, No Asset Register exists and has not done so for a considerable number of years. Members of the Finance Sub Committee and Clerk should in my opinion convene a meeting to discuss and consider what assets are in existence and log and value them accordingly.

In the council's favour, many of the assets are listed on the council's insurance policy so therefore you have a starting point.

The council has a substantial investment with CCLA (over £400,000 at year end) And my concern is that should this bank fail, the council will be hundreds of thousands of pounds out of pocket and with insurance cover unavailable, will be subjected to Audit Wales and the public's condemnation.

As you all may be aware under the Financial Services Compensation Scheme only the first £85,000 is safeguarded.

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

Response - The Clerk/RFO regularly prepared and submitted accurate reconciled bank to cash book statements coupled with a Receipts and Payments account (see below)

10. ***Accounting statements prepared during the year were prepared on the receipts and payments basis; agreed with the cashbook, were supported by an adequate audit trail from underlying records and where appropriate, debtors and creditors were properly recorded.***

Response - As mentioned above it is quite evident that accounts were prepared on a receipts and payments basis; agreed with the cash book/bank statements and supported by a thorough audit trail. Debtors and Creditors are properly recorded as evidenced by the 2021/22 Annual Return.

11. ***Trust funds*** - Not applicable

12. ***Risk areas*** - Not requested

Regarding S137 payments I recommend that it may be prudent for the council to consider adopting a policy proof of purchase within a reasonable time scale for all or at least a majority of S137 payments. Audit Wales supports this suggestion.

I wish to thank the Clerk/RFO for her assistance during the audit and I wish the council and its staff every success for the future.

My fee for work carried out is attached.

Sincerely,

G. W. Davies

G. W. Davies MBE