

15th May 2023

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

**Re: Internal Audit of Maesteg Town Council's Accounts
For the financial Year 2022 - 2023
The Annual Return**

For the attention of the Town Clerk, Council Members and Audit Wales

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

My work was carried out at both the council's offices and my office at the above address

I found the council's books of accounts and filing system to be as professionally kept as last year, which, meant my work was made easier particularly when accessing certain information to complete my necessary inspections.

I have today completed the internal audit and explain my findings below.

I remind you of item 4.5 of your Financial Regulations:-
“ The Internal Auditor shall be free from any conflicts of interest and have no involvement in the financial decision making, management or control of the council”

Details of my Internal Audit findings are based on Audit Wales Annual Return requirements and I should be obliged if you and Council Members carefully

examine it prior to your meeting.

I remind you that Maesteg Town Council for the year in question is subject to its Triennial Full Audit which involves in depth investigations by Audit Wales - for example into the council's:-

Books of accounts,

Arithmetic accuracy

Additional planning procedures to identify risk areas

The council's website

Staff costs agreement

Members Allowances

Review of S.137 payments

Debtor and Creditors balances

Agreement of fixed assets and investments to the Asset investment register

Furthermore, my internal audit work requires me to report on the following, which, will allow me to cover some of the areas mentioned above.

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

Response - books of account were adequately kept by the RFO.

The means of recording were on an Excel system, which, is suitable for the transactions made during the year.

The entries to the computerised cashbook were easy to follow and reconciled with legitimate invoices and vouchers.

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, with the exception of one occurrence, adhered to by your RFO.

As mentioned above 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.

Prior to council meetings, Members are supplied with a cumulative receipts and payments summary and details of all payments and receipts due or received for the month in question, thereby allowing them adequate time to study same and prepare questions for the Clerk/RFO or the Chair of Finance.

Value Added Tax was in 99.9% of cases accurately recorded and reclaimed on a quarterly basis. However, in instances involving EDF Energy, a company that claim monthly payments on account and then send out quarterly VAT invoices, the RFO needed to claim VAT on the invoice and not the payments on account. This practice has now been put in place.

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 have been assured that they are up to date and reviewed on a regular basis. I mentioned in my report last year that the council was responsible for four employees with one subjected to working outdoor and alone.

I am still not clear if his safety is being adequately monitored and what action he should take in the event of an emergency. I recommend that council gives due consideration to my concern

Similarly, the Clerk/RFO and the Deputy Clerk occasionally work alone at the council's offices. I recommend an alarm system is put in place (connected to the local police station) in case of a situation whereby a dangerous character/s enter the building.

I have also been made aware, that because of the building's internal lift being out of order, the "cleaning lady" has to carry materials, buckets etc from the building out to the pavement and through the market place in order to gain access to cleanse the public toilets below

I again recommend that council gives this matter urgent attention in case this employee is involved in an accident or incident outside the main building.

I have studied the council's insurance policy and noted the following clause - Page 9 where "***the insurer shall be under no liability***" for damage connected with pre - existing contaminated property or for damage caused by a succession of several events.

There has been an incident where debris has fallen off the building and near to where the public have access, I recommend that Zurich Insurance is notified of the current state of the building, that the danger areas have been made safe and that a copy of the detailed Ashley Davies Architects report is forwarded to them on a need to know basis.

4. The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored and reserves were adequate.

Response - The council held regular quarterly finance sub committee meetings, the Minutes of which indicate active discussions on the current financial situation and comparisons between the budget set and actual expenditure.

This is a satisfactory way of deciding future expenditure and I note that Members had certain ideas for future capital projects but were mindful that it's large reserves following an insurance payout would allow some to go ahead and leave a sufficient balance that could be used, (in the event of no grants being made available) to upgrade the council building and interior.

The decision to maintain the precept at last year's figure, despite being less than

the projected spend was a way of showing local taxpayers that council recognised the public's anguish at its failures between 2016 and 2020 were being recognised.

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, minor grants, 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* (see below) were also applied correctly.

The council's maintenance operative is not at this time aligned to any pay scale and is subject to council's discretion with any pay award. I leave this with council, but, would warn against an individual councillor trying to agree a pay deal with an employee without first informing the Finance committee.

There was a budget overspend of £9k on staff costs, I have ascertained that was due to a delay with the issuing *NALC* pay awards-and therefore salary increases needed to be backdated eight months.

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

Response - prior to the financial year in question, the only evidence available indicating the council's assets was a document prepared in 2014. The Clerk used this and items stated on council's insurance documents as a starting point in preparing a new register.

In a time consuming project that included certain members, a stocktaking exercise was undertaken to identify items not on the register and neither on the insurance policy.

The council now has a comprehensive schedule/register of tangible assets that I have been guaranteed will be updated on a regular basis.

I have asked the Clerk to forward a copy of the new asset register to Zurich Insurance as a safeguard for the future.

I therefore confirm that the new Asset Register is accurate and will in future be properly maintained.

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 on a monthly basis. (see below)

10. Accounting statements prepared during the year were prepared on a 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 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 Annual Return.

11. Trust funds - Not applicable

12. Risk areas - Not requested

I would again like to bring to your attention that a payment of £500.00 made via Section 137 of the L.G. Act 1972 to a local sporting club (name deliberately omitted) contained a clause that the recipient was to provide evidence (invoices) that the money had been spent for the purpose requested.

There has been no evidence that this clause has been complied with and I recommend that the recipient is again contacted for an explanation or otherwise a return of the money.

I am pleased to see that my recommendation of last year of requesting proof of purchase with S.137 donations has been put in place and is having positive results.

Councils are often seen as an easy source of income by some groups, this new strategy will make many think twice before submitting applications in the future.

The council's website is in my opinion is quite satisfactory and easy to access.

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

It is my duty to inform you that this will be my final internal audit of your council's accounts and that of many others I have conducted over many years.

Sincerely,
G. W. Davies