

**G. W. Davies MBE,
Internal Auditor,**

1st May 2024

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

**Re: Internal Audit of Maesteg Town Council's Accounts
For the financial Year 2023/24**

The Annual Return Year ended 31st March 2024

For the attention of the Town Clerk, Council Members

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

My work was conducted throughout the 2023/24 financial year and the start of the current financial year 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 have been kept in a clinical fashion thereby making my work easier and time reducing.

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

You are respectfully reminded of section 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 report are based on Audit Wales Annual Return requirements and I should be obliged if you and Council Members carefully examine it prior to the arranged scheduled special meeting that will debate my findings.

You will note that many of my responses are similar to those of the previous year's internal audit report and normally mean that I am satisfied that they comply with Audit Wales requirements.

The Annual Return

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

Response - books of account were adequately kept by the RFO, with the method of recording made on an Excel system, I am satisfied that this is suitable for the number of transactions made. 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 adhered to by your RFO. However, in my opinion the purchase of flowers etc via S.137 of the 1972 LGA to citizens celebrating certain wedding anniversaries is not acceptable as the expenditure does not benefit all or part of the community. Please read my comments regarding S.137 payments towards the end of this report.

As mentioned above payments made were supported by genuine invoices. As an additional safeguard, payments (before being put before council) were scrutinised by your Chair of Finance.

Prior to monthly council meetings, Members are supplied with a cumulative receipts and payments summary including 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 accurately recorded and reclaimed quarterly throughout the financial year.

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.

My report stated that I was not satisfied with the limited safety measures in place for staff protection. It appears, that my concerns have not been seriously considered. I therefore urge council members to look into what action should be taken and liaise with staff as soon as possible.

My report's concluding paragraphs on risk assessment go into more detail.

I am pleased to note that the Ashley Davies Architects report has been forwarded to the council's insurers. This should ensure more clarity in the event of a claim. I must admit that the insurers response is not very clear.

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 quarterly finance sub committee meetings, the Minutes of which indicate active discussions on the current financial situation including comparisons between the budget set and actual expenditure. The committee, ever mindful of the local electorate's financial suffering in previous years used part of its financial reserve to reduce the overall precept requirement.

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 regarding pay awards.

There was a budget overspend on staff costs, I have ascertained that it was due to a delay with the issuing of NALC pay awards-and therefore these needed to be backdated a considerable number of months. It may be wise

In future to over budget staff costs when setting your future precept requirements.

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

Response -The council has a comprehensive schedule/register of tangible assets that is updated regularly.

As mentioned earlier the Council's insurer has been forwarded a copy of the register.

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 to Members together with an updated Receipts and Payments account. (See 10. 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

Conclusion

I am seriously concerned with applications from and payments to certain groups who seek financial support towards their local activities. As mentioned by me last year, councils are often seen as an easy source of income and although evidence of the use of the money has been requested by way of receipts etc. I now suggest that all applicants bank statements are provided prior to and following receipt of the allowance.

My reason for this is:-

1. The applicants may have had sufficient funds available to carry out its project.
2. Evidence that the money has or hasn't been spent for the intended purpose.

Certain matters brought to my attention by members of the public, which, regrettably may involve a local councillor, revealed that a S.137 payment (£500.00) issued to a local group had not been spent on its intended purpose despite having been issued some considerable time ago. It is further alleged that this same group has received £1,000.00 from this council towards a scheme that

was never put in place, and also received financial assistance from another source to finance the same scheme.

The group's treasurer has now refunded the £500.00

It is not in my remit to investigate this alleged fraud, however if you wish for me to peruse this matter, I will gladly do so.

Other Matters

I have had in-depth discussions with Mrs. Teisar regarding the council's capital projects, this included their legality, its budget, progress, local benefits, likely completion and consequences.

I am satisfied that the projects have been adequately financed and total expenditure should come within budget. I am assured, that where necessary, all legal requirements have been met.

The one project that may attract opposition is the Maesteg Park free bus service. The service is currently being trialled and if successful, I can only imagine Caerau Park and Turberville residents demanding a similar service in their community.

The introduction of a second or third service would mean the precept increasing by a considerable amount. Estimate for three bus service routes is likely to be £90,000.00 per annum (Not accounting for inflation)

The revamp of the building's rateable value has cost the council a considerable amount of money, which, was unexpected and obviously not budgeted for.

The Valuation Office increased the council offices rateable value from £5,900 to £10,500 backdated to 2017. The council therefore lost the bulk of its Small business rate relief. I have suggested to the Clerk that council appeal against this revaluation as soon as possible. It may be beneficial to appoint a professional property valuer to act for the council.

The council has yet to receive Audit Wales report on the 2022/23 accounts, this is disappointing as any unfavourable comments or suggestions could not be attended to during the financial year in question.

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.

My fee for my internal audit work is as agreed with council in Autumn 2023.

Sincerely,

G. W. Davies

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