

# Community and Town Councils in Wales Annual Return for the Year Ended 31 March 2019

WAL 291

CT CARDIFF  
DATE  
- 1 JUL 2019  
H.S.D

## LANGUAGE PREFERENCE

Please indicate how you would like us to communicate with you during the audit. Note that audit notices will be issued bilingually.

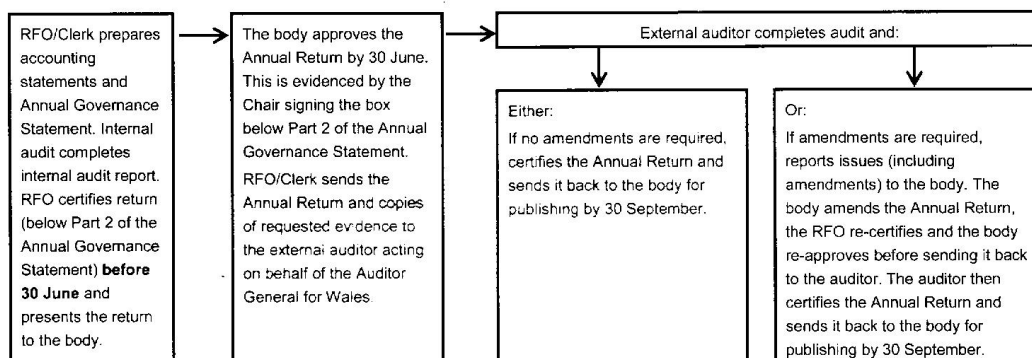
	Yes	No		Yes	No		Yes	No
ENGLISH	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WELSH	<input type="checkbox"/>	<input checked="" type="checkbox"/>	BILINGUALLY	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## THE ACCOUNTS AND AUDIT PROCESS

Section 12 of the Public Audit (Wales) Act 2004 requires community and town councils (and their joint committees) in Wales to make up their accounts each year to 31 March and to have those accounts audited by the Auditor General for Wales. Regulation 14 of the Accounts and Audit (Wales) Regulations 2014 states that smaller local government bodies i.e. those with annual income and expenditure below £2.5 million must prepare their accounts in accordance with proper practices.

For community and town councils and their joint committees, proper practices are set out in the One Voice Wales/Society of Local Council Clerks publication **Governance and accountability for local councils in Wales – A Practitioners' Guide** (the Practitioners' Guide). The Practitioners' Guide requires that they prepare their accounts in the form of an Annual Return. This Annual Return meets the requirements of the Practitioners' Guide.

The accounts and audit arrangements follow the process as set out below.



Please read the guidance on completing this Annual Return and complete all sections highlighted in red including BOTH sections of the Annual Governance Statement.

## APPROVING THE ANNUAL RETURN

There are two boxes for certification and approval by the body. The second box is only required if the Annual Return has to be amended as a result of the audit. You should only complete the top box before sending the form to the auditor.

The council must approve the Annual Return BEFORE the accounts and supporting documents are made available for public inspection under section 30 of the Public Audit (Wales) Act 2004.

The Auditor General for Wales' Audit Certificate and report is to be completed by the auditor acting on behalf of the Auditor General. It MUST NOT be completed by the Clerk/RFO, the Chair or the internal auditor.

Audited and certified returns are sent back to the body for publication and display of the accounting statements, Annual Governance Statement and the Auditor General for Wales' certificate and report.

## Accounting statements 2018-19 for:

Name of body: **Insert name of body**

	Year ending		Notes and guidance for compilers
	31 March 2018 (£)	31 March 2019 (£)	

Please round all figures to nearest £.  
Do not leave any boxes blank and report £0 or nil balances.  
All figures must agree to the underlying financial records for the relevant year.

### Statement of income and expenditure/receipts and payments

1. Balances brought forward	38377	68536	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to line 7 of the previous year.
2. (+) Income from local taxation/levy	26929	28782	Total amount of income received/receivable in the year from local taxation (precept) or levy/contribution from principal bodies.
3. (+) Total other receipts	70342	237103	Total income or receipts recorded in the cashbook minus amounts included in line 2. Includes support, discretionary and revenue grants.
4. (-) Staff costs	30606	30391	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses eg. termination costs.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on external borrowing (if any).
6. (-) Total other payments	36506	165917	Total expenditure or payments as recorded in the cashbook minus staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	68536	138113	Total balances and reserves at the end of the year. Must equal (1+2+3) - (4+5+6).

### Statement of balances

8. (+) Debtors and stock balances	2852	15261	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to the body and stock balances held at the year-end.
9. (+) Total cash and investments	67617	145753	<b>All accounts:</b> The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	1933	22901	<b>Income and expenditure accounts only:</b> Enter the value of monies owed by the body (except borrowing) at the year-end.
11. (=) Balances carried forward	68536	138113	<b>Total balances should equal line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term assets	101262	102788	The asset and investment register value of all fixed assets and any other long-term assets held as at 31 March.
13. Total borrowing		199,930	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
14. Trust funds disclosure note	Yes No N/A	Yes No N/A	The body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions).

88

88

## Annual Governance Statement (Part 1)

We acknowledge as the members of the Council/Board/Committee, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2019, that:

	Agreed?		'YES' means that the Council/Board/Committee:	PG Ref
	Yes	No		
1. We have put in place arrangements for: <ul style="list-style-type: none"> <li>effective financial management during the year; and</li> <li>the preparation and approval of the accounting statements.</li> </ul>	✓		Properly sets its budget and manages its money and prepares and approves its accounting statements as prescribed by law.	6, 12
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	✓		Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Council/Board/Committee to conduct its business or on its finances.	✓		Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	✓		Has given all persons interested the opportunity to inspect the body's accounts as set out in the notice of audit.	6, 23
5. We have carried out an assessment of the risks facing the Council/Board/Committee and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✗	✓	Considered the financial and other risks it faces in the operation of the body and has dealt with them properly.	6, 9
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	✓		Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the body.	6, 8
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council/Board/Committee and, where appropriate, have included them on the accounting statements.	✓		Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	✓		Considered and taken appropriate action to address issues/weaknesses brought to its attention by both the internal and external auditors.	6, 8, 23
9. Trust funds – in our capacity as trustee, we have: <ul style="list-style-type: none"> <li>discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit.</li> </ul>	Yes	No	N/A	3, 6
			✓	

\* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

## Annual Governance Statement (Part 2)

	Agreed?			'YES' means that the Council/Board/Committee:
	Yes	No*	N/A	
1. We have adopted standing orders and financial regulations as appropriate.	✓			Has properly established its internal rules setting out how it will conduct its business.
2. We have ensured that the Council's standing orders and financial regulations have been followed for all relevant transactions.	✓			Has followed its internal rules and reviewed its compliance with those rules
3. All committees and sub-committees of the council have been properly established and provided with appropriate terms of reference setting out the delegated responsibilities to make decisions or recommendations.	✓			Has ensured that where applicable, the Council has properly delegated its responsibilities to committees

\* Please delete as appropriate.

### Council/Board/Committee approval and certification

The Council/Board/Committee is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of the Annual Governance Statement.

#### Certification by the RFO

I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2019.

signature required  
name required  
dd/mm/yyyy

#### Approval by the Council/Board/Committee

I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:

Insert minute reference and date of meeting

signature required  
name required  
dd/mm/yyyy

### Council/Board/Committee re-approval and re-certification (only required if the Annual Return has been amended at audit)

#### Certification by the RFO

I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Council/Board/Committee, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2019.

signature required  
name required  
dd/mm/yyyy

#### Approval by the Council/Board/Committee

I confirm that these accounting statements and Annual Governance Statement were approved by the Council/Board/Committee under minute reference:

Insert minute reference and date of meeting

signature required  
name required  
dd/mm/yyyy

## Auditor General for Wales' Audit Certificate and report

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2019 of:

Montgomery Town Council

### External auditor's report

[Except for the matters reported below]\* On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

### Independence of internal auditor

The Internal Auditor was involved in preparing the figures for the Annual Return. This could affect their independence. The Internal Auditor must not be requested to undertake tasks that may compromise their independence, such as completing the Accounting Statement on the Annual Return.

[[These matters along with]\* Other matters not affecting our opinion which we draw to the attention of the body and our recommendations for improvement are included in our report to the body dated 20/9/19.]

### Other matters and recommendations

On the basis of our review, we draw the body's attention to the following matters and recommendations which do not affect our audit opinion but should be addressed by the body.

See letter dated 20/9/19

External auditor's name:

Grant Thornton UK LLP

External auditor's signature:

Grant Thornton UK LLP

Date:

20/9/2019

For and on behalf of the Auditor General for Wales

## Annual internal audit report to:

Name of body: **Insert name of body**

The Council/Board/Committee's internal audit, acting independently and on the basis of an assessment of risk, has included carrying out a selective assessment of compliance with relevant procedures and controls expected to be in operation during the financial year ending 31 March 2019.

The internal audit has been carried out in accordance with the Council/Board/Committee's needs and planned coverage. On the basis of the findings in the areas examined, the internal audit conclusions are summarised in this table. Set out below are the objectives of internal control and the internal audit conclusions on whether, in all significant respects, the following control objectives were being achieved throughout the financial year to a standard adequate to meet the needs of the Council/Board/Committee.

	Agreed?				Outline of work undertaken as part of the internal audit (NB not required if detailed internal audit report presented to body)
	Yes	No*	N/A	Not covered**	
1. Appropriate books of account have been properly kept throughout the year.	✓				
2. Financial regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	✓ *				* EXCEPT FOR ISSUES 1, 4 AND 5 IN INTERNAL AUDIT REPORT
3. The body assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	*** N/A	✓			* SEE INTERNAL AUDIT REPORT ISSUE 7. RISK ASSESSMENT NOT APPROVED IN 18/19
4. The annual precept/levy/resource demand requirement resulted from an adequate budgetary process, progress against the budget was regularly monitored, and reserves were appropriate.	✓				
5. Expected income was fully received, based on correct prices, properly recorded and promptly banked, and VAT was appropriately accounted for.	✓				
6. Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.			✓		NO PETTY CASH.
7. Salaries to employees and allowances to members were paid in accordance with minuted approvals, and PAYE and NI requirements were properly applied.	✓				
8. Asset and investment registers were complete, accurate, and properly maintained.	✓ *				* EXCEPT FOR ISSUE 6 IN INTERNAL AUDIT REPORT

## Archwilydd Cyffredinol Cymru Auditor General for Wales

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### **Montgomery Town Council - Auditor General for Wales' Audit Certificate and report**

The Auditor General for Wales issued Montgomery Town Council a qualified audit report. Details of the matters which have led to the qualification are detailed below:

#### **Independence of internal auditor**

The Internal Auditor was involved in preparing the figures for the Annual Return. This could affect their independence. The Internal Auditor must not be requested to undertake tasks that may compromise their independence, such as completing the Accounting Statement on the Annual Return.

Additionally, during our review we identified some other matters that we wish to draw to the Council's attention which do not affect our audit opinion but should be addressed by the Council.

#### **Risk Assessment**

Regulation 5 of the Accounts and Audit (Wales) Regulations 2014 requires local government bodies to ensure that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The internal audit identified that the Council has not undertaken a risk assessment. Therefore the Council has failed to make arrangements for the management of risk.

A risk assessment should be performed at least annually and as a minimum, members should: -

- take steps to identify the key risks facing the Community Council
- evaluate potential consequences to the Council if an event identified as a risk takes place; and
- decide upon appropriate measures to avoid, reduce or control the risk or its consequences. This might involve insurance or the implementation of internal controls.

More guidance on risk management can be found in the One Voice Wales / SLCC publication "Governance and Accountability for Local Councils in Wales – A Practitioners Guide".

In our view the response to assertion 5 on Section 1 of the Annual Return should have been "No".

**Accounting Statement, Box 14 – Trust fund disclosure note**

The Council answered 'No' to Box 14 on the Accounting Statement, trust funds disclosure note, for 2017/18 and 2018/19 on the Annual Return. The Council has confirmed that it does not act as a sole trustee nor is it responsible for managing trust funds or assets and so these boxes should read 'N/A'.

**Minute reference and date of approval**

The minute reference and date of approval of the Accounting Statement and the Annual Governance statement is blank. The Council has confirmed that these should read '42' and 27/6/19.

**Annual Governance Statement (Part 2)**

Part 2 of the Annual Governance Statement has been left blank. The Clerk has confirmed that the Council considered the three questions and the Annual Return should read as follows.

Box 1 - Yes

Box 2 - Yes

Box 3 - Yes

**Accounting Statement, Box 13 - Total borrowings**

The figure entered in Box 13, on the Accounting Statement, total borrowings has been left blank. The correct figure should be £199,930.

In future, the Council should ensure that figures are correctly stated on the Accounting Statement.

Yours sincerely,

*Grant Thornton UK LLP*

For and on behalf of the Auditor General for Wales

Date: 20/11/2019

Ref: WAL291