

Dear Mr Deryck Evans,

Thank you for the audit report for Llangynidr Community Council which I received on 5/5/23.

I have reviewed my submission, and I can see mistakes and errors. However, it is not clear to me what all of your comments refer to, and there are certainly some items that if I had been asked for clarification of, I could have given an explanation which would have removed the need for a comment.

My main issue is that I am not sure I understand all the points you raise, and obviously, I cannot action points if I don't understand to what they refer. To rectify this, I have documented each point you raise, and in italics beneath each, explain what I assume they are referring to.

I would ask that you respond to each so I can implement any improvements I need to.

Issues with the Accounting Statement.

1. The Council's Total Cash and Investments figure (and balance carried forward figure) does not reconcile with the Council's own bank reconciliation. The Council has not provided an explanation for the difference between the reported figure and figure within the bank reconciliation.

*I have reviewed this and total cash figures in boxes 7 and 11 are £16,053 when they should both be £16,052 as in the bank reconciliation. The £1 difference in each is due to errors in the background calculations of each, where I erroneously rounded constituent numbers before adding them up, rather than add the constituent numbers to two decimal places, and then round the result. This is an error on my part. I could have provided an explanation if a clear question had been asked.*

2. The Council has not kept adequate accounting records that support the reported figures within the annual return and therefore we have been unable to reconcile the annual return to the Council's version of a Cashbook. We recommend that the Council updates its record keeping processes in line with the recommended formats provided in the One Voice Wales guidance. Additionally, we have been unable to confirm payments to original source documents such as invoices.

*I record all current account transactions in an Accounts Package (GNU Cash). The current account ledger forms the basis of the cash book and is reconciled to the bank current account for each meeting, and for the end of year. When you asked for the Cash Book, I took an extract of all the current account transactions for the year. Since your report I have gone through the cash book I sent you and realised that there is £1.05 of missing interest from the reserve account. This was not in the extract I sent you as it was paid into the reserve account directly, so never appeared in the current account. With this adjusted, the figures match, with the exception of the rounding errors described above. I attach a restated sheet to show the correct figures. On the second point, I sent the original source documents such as invoices, as you requested and you indicated that they were sufficient, so I would request further clarity as to what you would have like to see.*

3. The Council's staff costs are understated as it does not include a taxable fixed sum paid to the Clerk of £45 per month. A fixed sum allowance is deemed taxable remuneration and therefore should be included in line 4.

*In my accounts I have the taxable payments including the fixed sum allowance in the Staff Costs ledger, as I am aware that they are taxable remuneration, and so should be in the same line. However, in your Audit Report for Llanfrynach 2017/18, I was instructed to separate them. As I am no longer Clerk to that Council, I don't have access to the email exchange where I explained, to no avail, that it was a fixed sum allowance and hence was correctly reported. I attach an image of the report and instruction. Each year since I have had to make a manual adjustment to the Accounting Statement to comply with your earlier instruction. I am happy that you now recognise that this adjustment is not correct, but I could have clarified this if asked. It is certainly unreasonable to have this as a basis for qualification, as I was following instruction from your office. I request that it is moved to a comment.*

4. The Council has incorrectly reported its total assets and investments figure as the balance carried forward figure/total cash figure. The fixed asset register records total assets as a value of £9857.

*I made an error in completing the form, and put the value intended for box 11 (Balance Brought Forward) into box 12 (Total Fixed Assets). This mistake resulting in no figure for total assets being submitted. Box 12 in both years should have contained the value £9857. Again, this is corrected in the restated sheet attached.*

Annual Governance Statement.

•Assertion 1 – effective financial management. The Council has entered contracts with suppliers without a formal written contract. The basis of payments made to these suppliers have been based on original tenders once they have been agreed verbally with the supplier. We recommend that the Council ensure it has written contracts in accordance with their standing orders.

*I have checked our Standing Orders and Financial regulations, which are based on the current One Voice Wales publication, and I can find no mention of having Formal Written Contracts. I am aware that there is a new model Standard Orders due to be published. Does that make such a statement?*

*If you still feel we should have formal written contracts, then this should be under the Other Matters heading and not a basis for qualification.*

•Assertion 4 – exercise of electors' rights. The Council approved the annual return after the commencement date for the exercise of electors' rights. The Council should approve the annual return prior to the commencement of the inspection period and in accordance with statutory deadlines. Furthermore, the Council did not provide sufficient notice of the public inspection period as required by the Accounts and Audit (Wales) Regulations 2014.

*The notice of electors' rights was published on the 20<sup>th</sup> of June – see attached. The Audit Submission was ready for approval at the meeting on 28<sup>th</sup> June 2022, but I had neglected to put the item on the agenda so it could not be approved before the 30<sup>th</sup> of June deadline. An extraordinary meeting was arranged for the 7<sup>th</sup> of July to approve, and a notice of delay posted on the noticeboard and website on the 29<sup>th</sup> June. It did not occur to me to change dates for the rights, as they are fixed in the notice published by Audit Wales and were already on the notice boards. Hopefully this missing of the dates will not occur again, but for clarity it would be good to know how I should change the notice, and what legislation refers to this.*

I would also like clarification as the numbering of these assertions not being 1 and 2. Do the numbers 1 and 4 references to anything specific that I should be aware of?  
Lastly, your comment on working capital.

The reason the council ran short of cash in its current account was that we had not been forecasting cash flow / anticipated expenditure. From that point we added an anticipated expenditure and forecast current account balance to the monthly financial sheet. You can see this on the bank reconciliation I had submitted. I trust this would satisfy the recommendation you made.

In conclusion, on reviewing my submission, I see that there are errors there that should not be there. It is important that I understand if there are errors you identify in your report are also those I identify above, so I can be sure I rectify them. There are some points I am seeking advice on how to rectify. Lastly there are some points I think are not errors and should not have been indicated as such.

Hopefully in future audits we can work more effectively together to clarify facts and correct any errors before the report is published. With hindsight I can see that some of your correspondence was looking for clarification, but perhaps could have been more direct.

Regards,

Sue Dale

Cilca(Wales) 2015

Clerk for Llangynidr Community Council