

## 1. Qualification Issues

### Re: Basis of Qualification in respect of Annual Return 2021/22

The accounts were qualified for two reasons, both of which relate to typographical errors when figures were copied from working papers to the annual return.

I accept that these were errors and have responded to the auditor as outlined below, however one of the errors could have been corrected if the external auditor had responded to the audit for 2020/21 in accordance with the agreed timetable.

Response to auditors 19<sup>th</sup> June 2023:

Please find response below in respect of your comments (in blue) on my Annual Return 2021/22 and the basis for qualification.

***The Council's prior year accounts are arithmetically incorrect, and I am unable to conclude as to where within the annual return the misstatement lies***

The arithmetic error in the accounts ending 31 March 2021 was drawn to my attention by yourself on 11<sup>th</sup> October 2022. I responded on the same day explaining it was a typographical error on staff costs which should have been £27,458 and not £24,458 – copies of the email are attached.

Unfortunately the Accounting Statement for 2021/22 was completed and returned, prior to your email dated 11<sup>th</sup> October 2022 (in respect of 2020/21), and therefore the figures for 2020/21 were copied from that return year ending March 31<sup>st</sup> 2021. As a result, the error was replicated because as that stage you had not brought it to my attention. Had I received notification from your department in a timely manner, the error would not have been replicated.

***The Council's current annual return includes a typographical error within the balances carried forward line within the income and expenditure statement and therefore line 7 should equal line 13.***

With regard to a typographical error I agree that line 7 is incorrect and should read £131,927 not £132,927

You also state that ***Line 7 should equal line 13.*** I think this is inaccurate, it should read line 7 should equal line 11.

## 2. Annual Governance Statement

The auditors have also recommended changes to financial practices for the future.

The auditors two recommendations are stated below:

- Assertion 1 – effective financial management.

The Council has not completed any VAT returns We recommend that the Council complete VAT returns and keep up to date with the relevant VAT guidance issued by HMRC and One Voice Wales.

*VAT can be claimed up to 3 years after the end of the year and this was not appreciated to be an issue, however VAT returns will now be submitted annually.*

- Assertion 3 – noncompliance with laws, regulations and codes of practice. The Council does not operate PAYE as it is required to do under the Income Tax (Earnings and Pensions) Act 2003 for payments made to members. Failure to operate PAYE exposes the Council to the risk of fines and/or penalty charges being imposed by HM Revenue and Customs.

*Previously we have considered that remuneration is classed as an allowance as opposed to a salary as per the guidance below by the Independent Remuneration Panel's report 2023/24.*

*This appears to contradict the advice of the auditors and I will make further enquiries to determine what action if any is required.*

Guidance on taxation It is not within the remit or authority of the Panel to provide specific advice on matters of taxation. Advice can be provided by One Voice Wales and guidance is available on the HMRC website. The £156 should fall under the statutory provisions of section 316A ITEPA: Income Tax (Earnings and Pensions) Act 2003 (legislation.gov.uk) and the current amount that can be paid without attracting a tax liability is £6 per week: Expenses and benefits: homeworking: Homeworking expenses and benefits that are exempt from tax - GOV.UK (www.gov.uk).

### 3. Other matters arising and recommendations

The following matters do not affect my audit opinion but should be considered by the Council Members allowances – misclassification in Accounting Statement

The Council has included member's allowances within staff costs. Members are not considered as staff and their remuneration should be included within line 6.

*This recommendation has been implemented for the annual return 2022/23.*