



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Failures in financial management and governance – **Cynwyd Community Council**

Audit years: 2015-16 to 2017-18

Date issued: June 2019

Document reference: 1113A2019-20



This report in the public interest has been prepared in accordance with Section 22 of the Public Audit (Wales) Act 2004. No responsibility is accepted in relation to any officer, member or any other person in their individual capacity or any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

The team who delivered the work comprised Ian Hughes and Deryck Evans under the supervision of Anthony Barrett.

Contents

Acting under delegated arrangements and on behalf of the Auditor General for Wales, I have issued this report under section 22 of the Public Audit (Wales) Act 2004, to draw the public's attention to failures in governance arrangements and inadequacies in financial management and internal control at Cynwyd Community Council

Summary report

Following the departure of its former clerk, Cynwyd Community Council failed to ensure that it maintained proper records to demonstrate its proper management of the public funds it is entrusted with	4
Introduction	4
Cynwyd Community Council	4
My audit work	4
For 2015-16 and 2016-17, the Council has failed to maintain proper accounting records as required by the Accounts and Audit (Wales) Regulations 2014	5
During 2015-16 and 2016-17, the Council did not maintain a website and therefore failed to publish electronically, information that it is required to publish electronically by law	5
Given the lack of appropriate records, I will issue qualified audit opinions for 2015-16 and 2016-17	6
Recommendations	6
Next steps	7

Summary report

Following the departure of its former clerk, Cynwyd Community Council failed to ensure that it maintained proper records to demonstrate its proper management of the public funds it is entrusted with

Introduction

- 1 This report is issued in the public interest under Section 22 of the Public Audit (Wales) Act 2004 (the Act). I have issued this report to draw the public's attention to failures in governance arrangements and inadequacies in financial management and internal control at Cynwyd Community Council (the Council). I believe it is important that the public has a full and proper awareness of the events concerning the Council.
- 2 I also consider it appropriate to give the Council an opportunity to demonstrate the important steps already taken to improve arrangements and to ensure that the risk of such governance failures recurring is reduced to a minimum. There are lessons to be learnt not just by the Council, but by all community councils in Wales.

Cynwyd Community Council

- 3 The Council serves the community of Cynwyd in North Wales. It has a range of powers conferred on it by law and typically raises around £3,000 in income each year from council tax payers. The Council has been operating without a clerk since 2016.
- 4 The Public Audit (Wales) Act 2004 (the Act) requires the Council to make up its accounts to 31 March each year and to have those accounts audited by the Auditor General for Wales. The Accounts and Audit (Wales) Regulations 2014 (the Regulations) set out further detailed requirements including a timetable for the submission and audit of accounts and for the Council to publish audited accounts by 30 September each year. In this way, the Council is held accountable for the public funds that it manages.

My audit work

- 5 My audit work on town and community councils focusses on an annual return completed by the councils and submitted to auditors working on my behalf. The annual return contains the annual accounting statements that the council is required by law to prepare and an annual governance statement which sets out how the council has managed its financial affairs.

- 6 My normal audit work is designed to be proportionate to the size of town and community councils and the sums of public money that they manage. The audit process should be efficient and allow councils to publish audited accounts in accordance with the statutory timetable for councils.
- 7 Due to delays in receiving the annual returns for 2015-16 and 2016-17 and repeated difficulties in making contact with and obtaining information from the former clerk, the nominated auditors referred the Council to me. I expanded the scope of my work due to the increased risk associated with late completion and submission of accounts and failures to comply with requests for information for the purpose of the audit.

For 2015-16 and 2016-17, the Council has failed to maintain proper accounting records as required by the Accounts and Audit (Wales) Regulations 2014

- 8 Regulation 6 of the Accounts and Audit (Wales) Regulations 2014 requires the responsible financial officer (RFO), which in the case of the Council is the clerk, to determine on behalf of the body, after consideration of proper practices, its accounting records, including the form of accounts and supporting accounting records, and its accounting control systems.
- 9 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. These proper practices require that the Council should maintain a cashbook or equivalent in order to record transactions and retain original documentation to provide evidence to substantiate transactions recorded in the cashbook.
- 10 I am informed that the Council's former clerk, Mr Alwyn Jones Parry, left the Council in 2016. The Council state that it received two boxes of information from Mr Parry but that the records were incomplete. Mr Parry has asserted to me that when he retired from the Council, he handed over all paperwork to the then chair, Cllr Gwen Wyn.
- 11 I have been provided with a manuscript cashbook but no supporting invoices or receipts. The Council has been unable to provide original bank statements. The Council completed the 2016-17 cashbook from duplicate bank statements.

During 2015-16 and 2016-17, the Council did not maintain a website and therefore failed to publish electronically, information that it is required to publish electronically by law

- 12 The Local Government (Democracy) (Wales) Act 2013 (the 2013 Act) requires every local council to make available their contact and membership details, and records of their proceedings via the internet. The 2013 Act also requires every

council to publish their register of members' interests, public notices and audited accounts electronically.

- 13 The changes introduced by the 2013 Act enhance the accountability of local councils to their electorate.
- 14 My audit identified that the Council does not have a website that would allow it to publish notices and other documents electronically.

Given the lack of appropriate records, I intend to issue qualified audit opinions for 2015-16 and 2016-17

- 15 I intend to issue the following audit opinion for the 2015-16 and 2016-17 annual return:

Auditor General for Wales' audit certificate and report

I am required by law to satisfy myself that:

- the Council's accounts are prepared in accordance with the Accounts and Audit (Wales) Regulations 2014;
- the accounts comply with all other statutory provisions applicable to the accounts;
- proper practices have been observed in compiling the accounts; and
- that the Council has made proper arrangements for securing economy efficiency and effectiveness in its use of resources.

The failure to maintain proper accounting records as set out above, means that I am unable to conclude on whether or not the accounting statements in section 1 of the 2015-16 and 2016-17 annual returns:

- properly present the Council's income and expenditure for the year and its financial position as at 31 March 2016 and 2017;
- comply with all statutory provisions related to the accounts; and
- have been compiled in accordance with proper practices.

Recommendations

- 16 The Council has already taken some important steps to address the weaknesses identified during the audit.
- 17 In response to my initial findings, the Council noted that the membership of the Council has changed since the 2016-17 financial year. The Council states that since 2016-17, all payment records, receipts and documentation are all accounted for.
- 18 Nevertheless, further improvements are required to ensure the Council meets the standards that are expected of community councils in Wales. Therefore, I am making three recommendations to the Council as set out below.

Exhibit 1: recommendations

I am making three recommendations for improvement to the Council.

Recommendations	
Accounting records and internal controls	
R1	The Council must ensure that it establishes and maintains proper accounting records and internal financial control systems in accordance with the Accounts and Audit (Wales) Regulations 2014.
Website	
R2	The Council must ensure that it sets up a website as soon as possible to enable it to comply with the requirements of the Local Government (Democracy) (Wales) Act.
Publication of documents	
R3	The Council must ensure that it identifies which documents it is required to publish electronically and makes appropriate arrangements to post these on its website promptly.

Next steps

- 19 Section 25 of the Act now requires the Council to consider the report at a full meeting of the Council within one month of the date that I send the report. At the meeting, the Council will need to decide:
 - whether the report requires it to take any action;
 - whether the recommendations in the report are to be accepted; and
 - what action (if any) to take in response to the report and recommendations.
- 20 The Council will then need to prepare a written response and agree the wording of that response with me before publishing its response.



Anthony Barrett
Assistant Auditor General

19 June 2019

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone.: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru