

Tracey Burke  
Director General – Education and Public Services  
Group  
Welsh Government

9 April 2019

### **Town and Community Councils**

Dear Tracey,

In 2018, the Auditor General published seven public interest reports on individual town and community councils. A further two reports have been issued in 2019 and the Committee is aware he may publish further reports in 2019–20.

In addition to the public interest reports, the Auditor General published two national reports – Financial Management and Governance – Town and Community Councils 2017–18; and Internal Audit Arrangements at Town and Community Councils in Wales in January 2019, primarily produced with the aim of promoting improvement in financial management and governance in the sector:

The Financial Management and Governance – Town and Community Councils 2017–18 report found that:

- a. An increasing number of councils are holding large sums in cash reserves and in many cases do not have a clear purpose for holding such monies;
- b. The increasing reserves are funded by increased charges to council tax;
- c. Too many councils fail to comply with longstanding requirements related to the preparation of accounts and for the statutory audit, including failing to make proper arrangements for public inspection of accounts;
- d. While failure to comply with the statutory accounts and audit framework was the most common reason for qualified audit opinions, auditors



identified other recurring issues, indicating that councils have not learned lessons from previous years reports; and

- e. The Auditor General exercised his statutory reporting powers at eight councils in 2018. The lessons identified from these councils are applicable to other councils across Wales.

The Internal Audit Arrangements at Town and Community Councils in Wales report found that:

- a. We are unable to establish if around 10% of councils have an internal auditor;
- b. Around 20% of internal auditors are not sufficiently independent of the councils they provide services to;
- c. Two-thirds (66%) of councils do not have adequate terms of reference to define the roles and responsibilities of internal audit;
- d. One third (33%) of internal audit reports provided assurance to councils that was inconsistent with evidence available to external auditors; and
- e. The quality of reports and supporting audit records was variable across the sector.

We note that the Welsh Government commissioned a review of the town and community council sector lead by Gwenda Thomas and Rhodri Glyn Thomas and that the [report of the Independent Review Panel](#) was published in October 2018.

While not seeking to holding individual Town and Community Councils to account, the Auditor General's reports and the independent review panel's **report raises** wider questions about governance, financial management and accountability within this sector.

The Committee is particularly concerned by the Auditor General reporting that, year after year, auditors are uncovering deficiencies across Wales and that the situation is worsening. We are concerned that these small bodies may lack the necessary support and mentoring needed to ensure they achieve the necessary standards. Furthermore, with rising incomes and increased responsibility, and the



prospect of local Government reform it is imperative that the sector demonstrates better financial management.

The Committee would therefore welcome a response from the Welsh Government to the Independent Review Panel findings and the findings in the two national reports produced by the Auditor General to establish what action is being taken, and what support is being provided in this area.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is fluid and cursive, with a long horizontal flourish extending from the end of the name.

**Nick Ramsay AM**  
**Chair**

