



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

COMMUNITY AND TOWN COUNCILS CAN IMPROVE THEIR FINANCIAL MANAGEMENT ARRANGEMENTS BY APPLYING FOUR GOOD PRACTICE LESSONS

**Auditor General gives step by step good practice guide to governance
and financial management arrangement for Community and Town
councils**

PRESS RELEASE – Embargoed until 00:01 hrs, 30 June 2009

The standard of financial management at community and town councils in Wales varies reports the Auditor General for Wales. A number of common weaknesses exist at councils across Wales that lead to an increased risk of losses by individual councils. That is the conclusion of a report published by the Auditor General today. Although the number of reported frauds by Community Councils in Wales is small, the report found that they were significant for the councils affected, and had a detrimental effect on public confidence in the councils.

Community and town councils operate at a community level. They are responsible for a range of services and facilities and provide valuable support to local voluntary groups and associations. There are approximately 8,000 community councillors in Wales that provide their time without being paid and play a valuable role in the community. However many councils have problems in filling posts at elections and many councillors are elected unopposed. Most councils only have one paid employee, the clerk or financial officer, who administers the affairs of and financial duties of the council.

The report reflects the concerns of auditors appointed by the Auditor General who have highlighted key common weaknesses in community councils financial management arrangements. In some cases these weaknesses have resulted in community councils putting public funds at risk and in the worst cases, losses through fraud. The report found that the financial losses that were identified were preventable if proper financial management arrangements, internal audit and effective scrutiny by councillors had been put in place.

Auditors found that although councillors have distinct legal responsibilities for the financial governance of public funds, they were frequently not fully aware of the legal duties they accept when they take up office. Many councillors appear to have a mistaken belief that the clerk or financial officer is responsible for the governance framework and internal controls of the council. Often extensive trust is placed on the clerk to manage the council's affairs. A small minority of clerks betray the trust placed in them, and one particular weakness identified by auditors is that councillors have signed blank cheques for clerks. This action places the council at a high risk of

fraud and the report identifies a number of councils where frauds have taken place as a result of this action.

A range of publications have been made available to councillors and clerks which outline their legal requirements. These are available on websites of the representative bodies for councils and clerks, One Voice Wales and the Society of Local Council Clerks. The report also notes that the representative bodies are also taking steps to improve governance by introducing training programmes for councillors and clerks. The Wales Audit Office in response to this report will be launching web pages on the Good Practice Exchange. The Wales Audit Office's dedicated good practice website contains information on financial management and governance in community councils for councillors and clerks.

The report concludes over all that community councillors can improve their councils' financial management and governance arrangements by following four good practice lessons:

- Councillors need to have a proper understanding of their legal responsibilities;
- Proper and effective financial management arrangements need to be in place;
- Councillors need to effectively scrutinise their councils financial affairs and satisfy themselves that they have an effective system of internal audit; and finally
- Councillors need to have a clear understanding of the external auditor's roles and how they can work with the auditor.

The Auditor General for Wales, **Jeremy Colman**, said today:

'My report identifies some key common weaknesses in the financial management of community and town councils, and performance in this key area is variable between councils. For councils to be truly effective they need to have a clerk and councillors who work as a team to serve the community, an essential part of their role it is to put in place good governance and robust financial arrangements. "

Notes to Editors:

- There are over 700 community and town councils in Wales with a combined annual expenditure in excess of £35 million. Most community councils spend less than £50,000 per year with only three of the larger councils spending over £750,000.
- The Auditor General regulates the external audit regime for Community Councils in Wales. This role includes appointing auditors and monitoring the services they provide. Currently three private firms are contracted by the Auditor General conduct the audits of community and town councils.
- The Wales Audit Office (WAO) is independent of government and is responsible for the annual audit of some £20 billion of annual public expenditure.
- The WAO was created on 1st April 2005 following the passing of the Public Audit (Wales) Act, which expanded the functions of the Auditor General for Wales and enabled the transfer of staffs from the Audit Commission in Wales and National Audit Office in Wales to his employment.

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