

Episode 208 – Auditing Community and Town Councils

Beth Smith (Audit Wales)

Welcome the Exchange Podcast. I'm Beth Smith and part of the Good Practice Exchange team here at Audit Wales. This episode is the final episode in our series of podcasts with community and town councils in Wales.

Today, my colleague Siôn Owen is chatting to Deryck Evans, Audit Manager here at Audit Wales, about the role of Audit Wales and what we audit at community and town councils, how community and town councils can work with auditors and some of the key messages for the sector.

Siôn Owen (Audit Wales)

So I am here at our offices, Audit Wales' offices in Cardiff, with Deryck Evans, who is Audit Manager for Financial Audit and who leads the audit teams that audits all the community and town councils.

Welcome Deryck.

Deryck Evans (Audit Manager, Audit Wales)

Thank you Siôn.

Siôn Owen

There are quite a few community and town councils in Wales, aren't there?

Deryck Evans

There are indeed. In our ah limited assurance regime, we audit 735 bodies in total. That includes a couple of burial boards, but it's mainly the councils themselves. And then we've also got Llanelli Rural on top, which falls outside our limited assurance arrangements.

Siôn Owen

And, yeah, so 735 odd, separate bodies that need to be audited. And I gather they're on a like three-year cycle of audits.

Deryck Evans

Yes, so it's a big chunk of work for us. All taken together, it's quite a large audit project. They're on a three-year cycle. We do two years of what we call basic audits, which is a very light touch. We're very much relying on the councils to pull things together completely and accurately for us.

And then in the third year we'll undertake what we call a full audit, which is where we look more into the detail. We look at transactions, we look at evidence of compliance with financial regulations and legislative requirements as well, for example. So much more involved.

Siôn Owen

And the requirements that we look at when we do an audit are all the same for the body, regardless of the size of the council, is it?

Deryck Evans

Yes, the requirements are the same for all councils, the legislative requirements are the same. They all have to produce their accounts. We have to give an opinion on the accounts every year.

We don't have options around that. There are slightly different accounting requirements for smaller councils, but we accommodate that within the scope of our audit. We try to make sure we are being as proportionate as we possibly can and we take into account the relative size of councils when we're assessing what is reasonable for a council to provide. So for budget setting, for example, we would expect more detail from a larger council than a smaller council.

Siôn Owen

Yeah, because there is quite a variation in the budgets of different size councils, isn't there?

Deryck Evans

Yes, the smallest councils will spend maybe a couple of thousand pounds a year.

The largest ones within our regime can spend almost two million a year. So very, very different beasts in terms of the size of the activities that they undertake, the services they provide and the staffing levels.

So the statutory responsibilities are the same for the £2,000 council as for the £2 million council. But there's obviously more staff perhaps for the larger ones that can help them.

Siôn Owen

And it's one of the messages we've been trying to do with this series of podcasts is that's important for, regardless of your size, that you do what you can for your community, kind of thing.

Deryck Evans

Yes, I think that's important. um So yes, it's important for the councillors to consult with their communities to find out what the community's priorities are. You know, as a group of councillors, you may have some ideas around what the community wants, but in fact, the community may want something slightly different. They may want you to spend more on providing certain services. They may tell you that actually we don't need those things at all.

It's important that the council gets that idea because that um that understanding should drive everything that the council is doing. It will drive what it's planning to do in terms of services. That will in turn drive its budgets and that will in turn drive its precept, which is where the council tax impacts on the residents of the council.

Siôn Owen

Yeah, and I think it's as ah it a sensible suggestion for anyone is to just check you're doing the right thing every so often.

And as you touched on now, the roles of community town councils are changing as they want to do more and people ask them to do more?

Deryck Evans

Yes, a lot of the changes are some very proactive councils around Wales who are looking to do things that are important for the communities. They've seen a need for various services to be provided, whether that's increased leisure facilities, where some councils are putting in new park equipment for skateboarding, things like that, because there's a demand for it in the local area. It's something to keep the kids amused and out of trouble, as it were, and there's a demand for it.

In other cases, they're taking on functions where the Unitary Authority has decided to close down a community hall, and the council has taken that over to retain that service and that function within the community. I think, councils are generally growing and there are opportunities for all community councils across Wales to identify things that are not in their communities that actually would be beneficial for the community and that the community wants there to be in place.

So I think it's a great time at the moment to start thinking about those kind of ideas and what can be done to just to support the community itself.

I've seen various things over the last few years of new schemes being introduced, particularly with the general power of competence, as more councils take that up. We've seen some innovative practices coming up. from a community bus scheme. We've seen that we're picking up in one of the valley towns. The bus routes go through the bottom of the valley, doesn't go across valley and the local council has identified actually there's a need for with the elderly population in the area to be able to get somebody down from the hillside down into the town and keep people there in the town keeping the town alive.

Siôn Owen

Yeah, and some of the Valleys towns are on serious hills. It has come through really, really strongly in the other conversations I've had whilst making these podcasts, how invested the community and town councils are in their communities and how much they want to do the best for their communities.

But there are things to think about if and when they decide that they that the community consultation that they've done, that you need to do more. Things like, do you have the right information? And so on.

Deryck Evans

I think these kind of things are ah vital to think about. By their very nature, the community councils can be quite small. You need to plan for these new activities. You

need to understand what the impact is going to be. And you do understand whether or not the council itself has the expertise in house to do these things.

What we find is when things go wrong, it's often because the council hasn't had the expertise. The spirit is willing, but the flesh is weak, as it were. And it's just making sure you've got the right expertise, you've got the right resources in place, whether that's resources in terms of time, expertise, and money as well. and Money's not just the only thing that we're interested in as auditors.

I think it's important there that you do that planning up front to make sure you can and you understand what's going on. And perhaps one area where things can be, the sector can develop, is by looking to do things in partnership with other local communities.

Where this might ease the burden on individuals. The Clark's role is really important, but it's um particularly for the smaller councils, there's not much time available. And if you can group together with other councils and provide services jointly, that might be a way of spreading the burden a little bit that will help all the councils and the communities themselves.

Sion Owen

Yeah, because I have seen a couple of examples of where the community or town council takes advantage of their like convening power, and it's lovely to see that partnership working bearing fruit.

Deryck Evans

It will be important with those partnerships to make sure the all the Councils understand what the arrangements are for the partnership, what they are signing up to, um particularly if services can be provided by a lead council.

The other councils need to understand what functions they have and what responsibilities they have, not just towards the cost of it, but also in terms of things like staffing, staff management, ah that can be an issue if things aren't set up properly from the start.

We've seen a couple of issues where there's been some a lack of clarity over staff roles has led to some problems between councils.

Sion Owen

Yeah, it's getting the ducks lined up, making sure that everyone ah knows what's going on and that they're all going into this, whatever new work it is with eyes open, understanding the obligations.

And that's in the end, it's about relationships, isn't it? And can be a thorny subject when we come to community and town councils, can't it?

Deryck Evans

It can. We deal with a lot of correspondence from the sector. Correspondence that comes from members of the public who are concerned about things happening at the

council. We get correspondence from councillors concerned with what's happening in the council. We get correspondence from the clerks raising concerns about how things are working at their councils.

Developing good relations is probably the most fundamental thing that community councils need to get right. When councils aren't working effectively together, where you have a chair who is perhaps not working closely with the clerk, and there's friction perhaps between members and the chair, or one group of members and another group of members. Things become dysfunctional very, very quickly and you end up in a position where the Council cannot do any business, it can't get things done simply because the amount of disagreements that go on.

I won't bore you with the details, but I've sat in a number of Council meetings and I've seen various things where it's quite clear that the biggest problems faced by the Council are not financial.

They're not resources, human or otherwise. It's relations within the Council that have been the biggest stumbling block to the Council's making progress.

Unfortunately, it's meant that we know we've had to step in and on occasion and we've published reports in the public interest and a lot of the time that's come from poor relations within the council itself. And it's important as well to maintain relationships with members of the public. If you have somebody who is interested in what the council is doing, try and accommodate them. Don't sort of pull the wagons in and circle them, have that open dialogue and discourse.

You're never going to satisfy everybody all the time, but we find that some open discourse and proper explanation is often enough to you know allay any fears that individuals may have about what's going on.

Sion Owen

Yeah, because it's not about getting rid of challenge and trying to get everyone to work in perfect harmony. It's getting people to be able to work together and to resolve conflict in a healthy way, isn't it?

And on that note, whilst you have the microphone, have you got any messages to those bodies who we look after?

Deryck Evans

Okay. Yeah, a few thoughts, as always.

We are but at the start of the process for 2026. We um we are in a different position this year to the one that we've been in for the last few years. COVID has affected us in Audit Wales and particularly the community council sector. Over the last couple of years where we inherited a large backlog of work from the end of our contracts with our previous audit suppliers.

We've put a lot of resources in over the last couple of years to clear that backlog of work and we've just about done so. There are a few councils still outstanding from

the last few years which require a little bit more of additional audit input and requires to give a little bit more thought before we close off the audits.

We're in a much better position in 2026 to be on the front foot. So, a couple of the biggest things that councillors can do to help us, first of all, timely submission. I appreciate I've just said that you know we've been late over the last few years, but timely submission of accounts really, really helps us.

This year, we with our basic audits, we we're expecting to have received about 470, 480 audits by the 7th of July. We're on about 300 of the basic audits in. So we're some way adrift of where we'd want to be in terms of receipt.

Today, it's not a desperate situation because of the way our audit resources are put in place. But within the next few days, it'll start causing a few problems for us as we go through, them as we go work way through the audits.

So timeliness is one big issue. Our full audits due in end of the first week of August. So I'm hoping to see a good submission rate from those.

One of the impacts of having a council late on the audit process itself is that because of our overall work program in Audit Wales, our audit resources are allocated for specific time periods.

So when large numbers of audits are late being delivered, it causes us problems because our auditors then have to move on to other work on other audit bodies.

So this impacts us and has quite a large impact on us if things are late. It means it's very difficult then to get the resources back into the team to complete the audit work. So that' from our perspective that's why timelessness is so important for us receiving the accounts on a timely basis.

Sion Owen

Yeah, and it avoids having a long drawn out process as well doesn't it? just yes Everyone benefits from that getting done up quickly and properly.

Deryck Evans

The other issue we have, we frequently find, is incomplete submissions as well. We send out a list of audit requirements with our audit notice every year and we frequently don't get all the information we've asked for.

We're trying to take a tough line on it and if we don't receive information, we'll assume that it doesn't exist. But we are going back to councils as much as we possibly can.

The problem that we have is it's anywhere from 150 to 200 councils every year don't give us the information we ask for. So puts a large burden on our resources to go back to councils and ask them for things that we've already asked them to provide for us in the first place.

So a big plea for to all councils would be, you know, when you receive a request from the auditor, reply in full as promptly as you can. And again, I put my hand up to us being late over the last few years, but hopefully we'll be on the front foot now.

So that would be one of the, those are the two big, I suppose, two big things that we would we would like to see.

And the other thing then, looking forward, I think it's probably worthwhile mentioning a couple of things that are coming over the horizon.

First of all, next year, 2027, there's going to be a large number of new councils where community reviews have been undertaken. The current councils will need to prepare accounts. The new councils will need to submit those accounts to us for audit.

So a big plea from us. Can you please in your planning for the new councils? Can you make arrangements for completing the accounts of the old council up to the end of March 2027 or May 2027 if the Welsh Government pushed through some regulations to make a temporary amendment to the Account Audit regulations.

But yeah we need we need those accounts to be prepared. Under the machinery of government changes, rules, the new councils inherit the responsibilities of the old councils, including the responsibility to prepare the accounts. So as part of your planning, can you just make sure that the accounts process is built into your into your thoughts?

I think the other thing too is worth one mentioning as well. um Obviously audit is the most um important thing to councils. I said that with a smile on my face.

And it's something that councils enjoy having to go through every year.

But we are working with Welsh Government looking at the audit arrangements. The arrangements themselves are driven by the legislation and we have to work within the legislation to ensure the Auditor General delivers all their responsibilities every year.

Our view at the moment is that we've gone about as far as we can go within the current legislative framework. And therefore any significant changes to the audit regime will need to have some legislative changes as well.

So we're working with the Welsh Government to um to identify what changes might be made to the legislation and if those changes are made, what impact that might have on the audit arrangements.

But I think it's important to stress that what we're doing complies with the law. We can't change the law, that has to be done by Welsh Government, but we are working with them to see what options are available. We'll be getting back to the sector, we being ourselves and Welsh Government, we'll get back to the sector later on this year or early next year, hopefully.

Siôn Owen

And that's in recognition of that having exactly the same responsibilities for every size community and town council can be a lot.

Deryck Evans

Yes in indeed, yeah.

At the moment the legislation treats them all the same. So, um like I said, for the smaller bodies, if there are to be changes, it will need a change to that legislative framework.

Siôn Owen

And on that note of doing things properly, thank you very much for your time, Deryck.

Deryck Evans

You're welcome, Siôn.

Beth Smith

I hope you've enjoyed learning more about the role of community and town councils and how they contribute to our communities across Wales. I'd like to once again just thank everyone that contributes to these conversations.

Diolch yn fawr.

Rhian Jones (Audit Wales)

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