

Langstone Community Council

[By email]

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Dear Councillors

Langstone Community Council

Audit of Accounts 2021-22 to 2024-25

This letter sets out my findings and conclusions from my audit of the Council's accounts for the 2021-22 to 2024-25 financial years. The Auditor General considered whether or not to issue a report in the public interest due to the nature of the issues identified at audit. He concluded that a proportionate way to report these matters was to summarise my findings in a detailed letter to the Council.

This letter should be read in conjunction with my audit certificates attached to the Council's annual returns and must be published on the Council's website alongside the annual returns.

Recommendations

I am making three recommendations to the Council to improve its performance and increase its accountability to the electorate:

- R1 The Council must ensure that all information requested for the purposes of the annual statutory audit is provided on a timely basis each year and that underlying records are made available for audit.
- R2 The Council should review its governance arrangements, including how it monitors and manages the duties of the Clerk and other officers.
- R3 The Council must ensure that approval of the annual accounts is placed on the agenda for a Council meeting held by the end of June every year.

Yours sincerely



Richard Harries

Director, Audit Wales

For and on behalf of the Auditor General for Wales

Annex: My audit findings and conclusions

- 1 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 statement 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.
- 2 Additional audit work is undertaken when matters come to my attention during the audit. The Council's former Clerk failed to provide accounts and supporting information for the 2021-22 audit.

Failure to meet statutory responsibilities

For three years the Council did not meet its statutory responsibilities to prepare statements and submit them for audit on time

- 3 The Council's responsibility to prepare annual accounts and to submit them for audit is set out in law. Under Section 13 of the 2004 Act, the Council must:
 - Make up its accounts each year to 31 March or such other date as the Welsh Ministers may generally or in any special case direct; and
 - Ensure that its accounts are audited in accordance with the Act by the Auditor General for Wales.
- 4 The Accounts & Audit (Wales) Regulations 2014 (the 2014 Regulations) require the Council to prepare its accounts in accordance with proper practices. Proper practices are set out in the One Voice Wales/SLCC publication Governance and Accountability for Local Councils in Wales: A Practitioners Guide (the Practitioners Guide).

- 5 Regulation 15 of the 2014 Regulations sets out the timetable for the preparation and approval of the annual accounts. The Council's Responsible Financial Officer (RFO) must prepare and certify (by signing and dating) that the accounts properly present the Council's receipts and payments. The Council, meeting as a whole, must then consider and approve the accounting statements for submission to the auditor by 30 June following the end of the financial year. The auditor must complete the audit by 30 September.
- 6 The Council must also publish its accounts together with any audit certificate, opinion or report by 30 September. If this publication takes place before the conclusion of the audit and no such opinion has been given, it should include a declaration and explanation that, at the date of publication, the auditor has given no opinion.

The form of accounts that the Council is required to prepare is not complex

- 7 The Practitioners Guide sets out the proper accounting practices that the Council is required to follow. These requirements are not complex and apply to all smaller community councils across Wales.
- 8 As a small council, Langstone is required to prepare its accounts on a receipts and payments basis. Transactions are to be recorded as money is received or payments are made. No adjustments are required to reflect the timing of transactions, such as where invoices for services received in the year of account are paid after the year-end. Receipts are classified as a receipt of the precept or as an 'other' receipt. Payments are classified as staff costs (salaries etc) or 'other' payments.
- 9 In order to prepare the annual accounts, the sum of the transactions in each class is entered onto a proforma accounting statement on an annual return provided to the Council. The closing balance is then calculated as instructed on the annual return using basic arithmetic.

Despite numerous reminders from my audit team and clear guidance, the former clerk did not provide any form of accounts until August 2024

10 **Exhibit 1** sets out the key dates in which annual returns were submitted for audit and approved by the Council.

Exhibit 1: Summary of key dates of annual return submission

Financial year	Required date of approval by the RFO	Required date of approval by the Council	Date submitted to Audit Wales
2021-22	30 June 2022	30 June 2022	26 January 2024
2022-23	30 June 2023	30 June 2023	26 January 2024
2023-24	30 June 2024	30 June 2024	13 August 2024

Source: Langstone Annual Returns

¹ Where no date is shown indicates that the annual return was not signed.

11 In addition to reminders that are issued to all councils. My audit team wrote to the former clerk in November 2023 informing him of his and the Council’s responsibilities and that actions under section 53 of the Public Audit (Wales) 2004 Act may be taken against him.

Obstruction of the statutory audit process

The former clerk failed to provide the information needed for audit, despite multiple reminders, audit notices, and written guidance.

12 The audit process is designed to provide me with sufficient evidence to enable me to conclude on whether or not:

- The Accounting Statement for the year has been properly prepared and properly presents the Council's receipts and payments;
 - The Annual Governance Statement is consistent with the governance arrangements established by the Council; and
 - The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 13 An audit notice is issued to all councils which sets out the information that is required for me to undertake the audit. The audit notice sets out the timescales for submission to enable a timely audit.
- 14 In addition to the information requested as part of the audit notice, my audit team wrote to the Former clerk to provide additional information beyond what was within the audit notice due to the consistent delay in providing information.
- 15 The council's records were received by my audit team in January 2024, the documents received were unorganised and were incomplete. This meant that the audit team had to spend additional time inspecting each document to identify whether the Former clerk had submitted the necessary information for the audit.
- 16 Key accounting records that were requested such as invoices, bank statements and PAYE records were not included within the documents submitted.

The Former clerk failed again to provide information for audit

- 17 My audit team invited the Former clerk to attend the Audit Wales offices on 19 July 2024 to answer questions relating to the audit and to provide the missing information for the audits.
- 18 The Former clerk was also required to provide further information on the audits of two other Councils.
- 19 The Former clerk attended the meeting on 19 July 2024 after arriving one hour late and did not provide the outstanding information.

- 20 During this meeting the Former clerk cited personal reasons for the delay. Whilst we acknowledge the personal circumstances of the Former clerk we do not deem them a sufficient reason to repeatedly fail to provide information for audit.
- 21 It was agreed that the Former clerk would provide the outstanding information via electronic portal by 09 August 2024.
- 22 The Former clerk provided duplicated information within the electronic portal and the information required for audit remained outstanding.
- 23 On 02 August 2024, the Former clerk provided a checklist against all the audit information requirements confirming that he had provided the information or had already explained why the information has not been provided. My audit team reviewed this checklist and found it to be inaccurate and not a fair reflection of the information provided to date.
- 24 The electronic portal remained open until 29 November 2024. No further information was uploaded.

In our view, this amounted to deliberate obstruction of the statutory audit process and is behaviour not befitting to a qualified legal professional

- 25 As noted above, the audit of accounts is a statutory requirement and councils' co-operation with the audit team helps to ensure that the audit process is completed as efficiently as possible.
- 26 My audit fees are based on hourly charges. Therefore, co-operation with the audit team means that the burden of the audit fee for the Council will be minimised. However, the ongoing obstruction by the Former clerk has led to significant additional audit fees being incurred.
- 27 In the meeting held with the Former clerk on 19 July 2024, the Former clerk confirmed that he understood the roles and responsibilities of the RFO.

- 28 As my audit team have explained to the Former clerk, refusing without reasonable excuse to provide information that the Auditor General considers necessary for audit is an offence under section 53 of the 2004 Act.
- 29 Rather than providing the information requested, he has written numerous lengthy emails. His failure to co-operate has meant that I was unable to complete the work required to complete my audits for the outstanding financial years. In our view, this amounted to deliberate obstruction of the audit process.
- 30 Obstructing a statutory process is not only a serious breach of professional conduct but also constitutes conduct that risks bringing the legal profession into disrepute. Solicitors are officers of the court and are expected to uphold the rule of law, act with integrity, and facilitate the proper administration of justice. Such behaviour is fundamentally at odds with the ethical standards and duties that define the role of a solicitor.

Failure in financial management and governance

The Council made a payment to Mr Wade that was wholly inappropriate

- 31 The Council made a cheque payment to Mr Wade totalling £4,889.01 in December 2023 which was said to be a settlement payment to the previous Clerk. The Council explained to my audit team that Mr Wade suggested that he should receive the payment in the first instance so that he can make an electronic payment directly to the previous Clerk. We understand that Mr Wade did not make such a payment.
- 32 The payment made to Mr Wade was not approved in a Council meeting. We note that the cheque was signed by Councillor Bryant and Councillor Humphries.
- 33 In February 2024, the Council made settlement payments directly to the previous Clerk by cheque. Mr Wade repaid the original payment in September 2024. It is unclear why Mr Wade took nine months to repay the Council. Additionally, we saw no evidence to suggest that the Council took reasonable steps to request repayment from Mr Wade.

- 34 In our view, there was no legitimate reason for this payment to have been made to Mr Wade. Making a payment without a legitimate reason undermines This payment reflects a clear breakdown in internal controls and oversight of the Council.

The Council was complicit in allowing failures to persist over a period of three years

- 35 Community councils such as Llantilio Pertholey, by their very small local nature, normally rely on one key officer, the Former clerk, to manage their administrative affairs. More often than not, the Former clerk is also appointed in the capacity of Responsible Financial Officer (RFO). The RFO is responsible for administering the financial affairs of the Council on a day-to-day basis. This involves receiving and recording income, preparing cheque payments for signing by members, maintaining the accounting records, preparing the annual accounting statements and administering contracts.
- 36 Notwithstanding the role of the Former clerk/RFO, by law the 2014 Regulations, the responsibility for the stewardship of Council funds, including ensuring that it has effective and efficient financial management, rests with the Council (that is, the members).
- 37 This includes such things as establishing an appropriate system of internal control, including internal audit, approving the annual accounting statements prior to submission to the external auditor for examination and for ensuring that the Council has in place proper arrangements to secure value for money in its use of resources.
- 38 We would expect the Council be aware of these responsibilities and routinely challenge the Former clerk where these responsibilities have not been met. We found no evidence that shows the Council attempted to enforce any action from the Former clerk and was therefore complicit in these failings.