ITEM 17

HAWARDEN COMMUNITY COUNCIL

MONDAY 12th APRIL 2021

EXTERNAL AUDIT OF THE COUNCIL'S ACCOUNTS

PURPOSE OF REPORT:

To note the date for the external audit of the Council's accounts for the year ending 31st March 2021 and the preparation required.

PROCESS:

The following process will need to be followed to ensure that the Annual Return, additional Governance assertions and supporting information are submitted to the external auditor, BDO, **by 1st September 2021:**

- Internal Audit is undertaken in two stages by the Council's Internal Auditor JDH Business Services Ltd; the first stage, an interim audit took place in February 2021 and Council considered the interim report at its meeting on the 12th March 2021;
- The financial software 'end of year' will be completed by RBS (software provider) on **24th May 2021.** RBS will prepare the annual accounts which will include:
    - Completing the year end closedown
    - Preparing the Annual Return
    - Preparation of supporting accounting information
    - Creation of the new financial year on the software
    - Assist in the preparation of the variances analysis, if required
- The second stage of the internal audit will be completed by the Internal Auditors, JDH, on **26th May, 2021** (tbc) and will address all transactions up to the end of March 2021;
- JDH will prepare an internal audit report and complete the Internal Audit section of the Annual Return by **31st May 2021**;
- Approval of final accounts by the Council will be at its meeting on **14th June 2021** together with the report of the Internal Auditor, draft Annual Return, additional Governance assertions and supporting information; and
- Delivery of paperwork to the external auditor not later than **1st September, 2021.**

FUTURE AUDIT ARRANGEMENTS:

Members will recall that the Clerk and Financial Officer has previously advised that the External Auditor will produce a three-year cycle of audits commencing this year. In one of these years a full, detailed and comprehensive review of transactions will take place with a lighter audit in the remaining two years. Hawarden Community Council had been listed for its detailed audit on year 3 therefore 2023. However, the External Auditor has since announced that due to the Covid-19 pandemic and some local councils unable to submit their account for the 2019-20 financial year, then this new scheme has been deferred by one year. (*Please see attached letter appended to this report*).

RECOMMENDATIONS:

Members are asked to note the arrangements as outlined above.

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Community and town councils in Wales

By email

Reference: AC/254/caf
Date issued: 26 March 2021

Dear Clerk/RFO

Audit of Accounts 2020-21

In October 2020, I announced changes to my audit arrangements for community and town councils across Wales. Details of the new arrangements can be found at https://audit.wales/publication/future-audit-arrangements-community-and-town-councils-wales. These new arrangements include a new form of audit that includes a more detailed review of councils' financial transactions on a three-year cyclical basis. In December 2020, I informed councils when these new requirements would be applied to their audits.

Since December, my audit suppliers have brought to my attention a significant backlog in completion of the 2019-20 audits across Wales.

2020 has been a difficult year due to the COVID-19 pandemic and the sector has been particularly hard hit. Many councils were unable to meet for a considerable length of time and this caused significant delays in the preparation of the 2019-20 accounts. These delays had a knock-on effect on the completion of audit work. Councils were informed in December 2020.

In early January, my audit suppliers reported that the 2019-20 audits for almost 200 councils had not been completed with a significant number of these having not provided accounts for audit by the end of December 2020.

The primary reason for the delayed submission of accounts is the COVID-19 pandemic and closure of councils. However, the legal requirement for councils to prepare accounts remains even though activities have been curtailed. Furthermore, the publication of audited accounts is an important part of the public accountability framework for all councils.

Given the current ongoing restrictions, I consider it to be unlikely that many of the outstanding councils will be in a position to provide 2019-20 accounts for audit before the summer of 2021.

Therefore, there will be an increased burden for these councils to prepare accounts for both 2019-20 and 2020-21 in the next few months.

Furthermore, the introduction of new arrangements at this time is causing some concern amongst clerks. The concerns expressed include concerns over the amount of additional work they will have to undertake to clear multiple audits and additional procedures they will have to follow for the new arrangements.

While, in my view, the new arrangements should not result in any significant additional work by clerks, this is a concern that has been expressed a number of times and will need to be addressed by further communications with the sector.

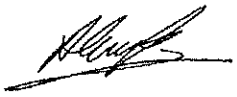
In order to help the sector as a whole to get up to date, I have decided to defer the introduction of the new arrangements for one year. The new arrangements will therefore apply for the audit of the 2021-22 accounts.

In my previous annual reports on financial management and governance in the sector, I have highlighted a backlog in accounts submitted for audit. Due to the issues noted above, this ongoing issue has escalated significantly.

Deferring the introduction of the new audit arrangements will reduce the pressure on councils, and provide a breathing space for Audit Wales to work with councils where accounts are overdue and to further explain and allay fears over the new arrangements.

Over the next few months, my audit teams will contact individual councils to make arrangements for the completion of 2019-20 and prior-year audits alongside the audit of the 2020-21 accounts. It is important for all affected councils to use this time to catch up. It is my intention to have completed up to and including the 2020-21 audits for all councils in Wales by the end of December 2021.

Yours sincerely



ADRIAN CROMPTON
Auditor General for Wales