

Community and town councils in Wales

By email

Reference: AC/254/caf

Date issued: 26 March 2021

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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



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Auditor General for Wales