

COUNCIL

WEDNESDAY 9th DECEMBER 2020

FUTURE AUDIT ARRANGEMENTS FOR TOWN AND COMMUNITY COUNCILS

1. PURPOSE OF THE REPORT

- 1.1 To provide details of the new external audit arrangements which apply from this financial year 2020-21

2. BACKGROUND

- 2.1 The requirement for town and community councils to prepare accounts and to have those accounts audited is set out in law. Section 13 of the Public Audit (Wales) Act 2004 (the 2004 Act) states that all local government bodies must make up their accounts to 31 March each year and ensure that the accounts are audited by the Auditor General for Wales (the Auditor General). Section 13 also states that the Auditor General must audit the accounts.
- 2.2 In recent years, the external audit function has been outsourced to two companies with BDO being the auditor for Abergavenny Town Council. The Auditor General for Wales has been concerned for a number of years over ongoing issues across the sector and that these were not being picked up earlier enough nor adequately addressed through the existing audit arrangements.

3. NEW ARRANGEMENTS

- 3.1 The new audit arrangements will involve an element of transaction based audit testing. A transaction-based approach to the audit will involve auditors examining an individual council's accounts and tracing transactions through to source records, confirming the completeness and accuracy of the accounts. This audit testing is similar to methodology applied by the internal auditor.
- 3.2 Adopting such an approach across all councils each year would require a significant amount of time to be input to each audit and, given the small scale of many councils in Wales, would be disproportionate to undertake. In order to ensure the arrangement, as a whole, is proportionate, for councils with income and expenditure of less than £2.5 million, transaction-based audits will be interspersed with more limited audit procedures on a three-year, cyclical basis.
- 3.3 Audit Wales has yet to publish the groupings which determine the years of limited audit procedures and transactional auditing. This was expected by the end of November. There will be a slightly higher audit cost for the year when a transactional audit takes place.

4. RECOMMENDATIONS

- 4.1 To note the new arrangements which take effect from this financial year 2020-21.