

Community and Town Council Audits 2022-23

Key themes and
lessons learned

Agenda



- Current position
- The audit certificate and report
- Themes and lessons
 - Accounting issues
 - Governance issues
 - VFM issues
- What's next?
 - Financial Management and Governance report
 - Annual Governance Statement
- Questions

Current position at 11 April 2024



	2019-20 and earlier	2020-21	2021-22	2022-23
Number of audits	449	740	740	737
Analysis of accounts received to date and available to audit				
Accounts received	420	711	708	666 (672)
Accounts received (%)	94%	96%	96%	90%
Accounts outstanding (not yet submitted)	29	27	32	71 (65)
Accounts received and completed				
Completed	383	676	644	379 (386)
Completed (% of accounts received)	91%	95%	91%	57%
Work in progress				
Awaiting sign off	-	10	15	26 (23)
In progress	37	9	19	122 (118)
Not started	-	16	30	139 (145)



- Public Audit (Wales) Act 2004
 - Section 17 General duties
- Audit opinion
 - Limited assurance
 - Proportionate to risk attached to sector
 - Report if matters come to our attention that indicate a problem
 - Report by exception

Audit opinion



- Accounting Statement
 - Have any matters come to our attention to suggest the accounting statement has not been properly prepared or does not properly present R&P/I&E and the financial position
- Annual Governance Statement
 - Have any matters come to our attention to suggest the Annual Governance Statement is not consistent with actual governance arrangements
- Value for Money
 - Have any matters come to our attention to suggest the Council does not have proper arrangements to secure VFM



- Qualified (BAD!)
 - Our audit has identified matters that mean we are unable to conclude or that we are certain something is wrong
- Unqualified (Good!)
 - No matters have been identified
 - BUT does not mean that everything is OK as we do not give a positive opinion

Audit opinions

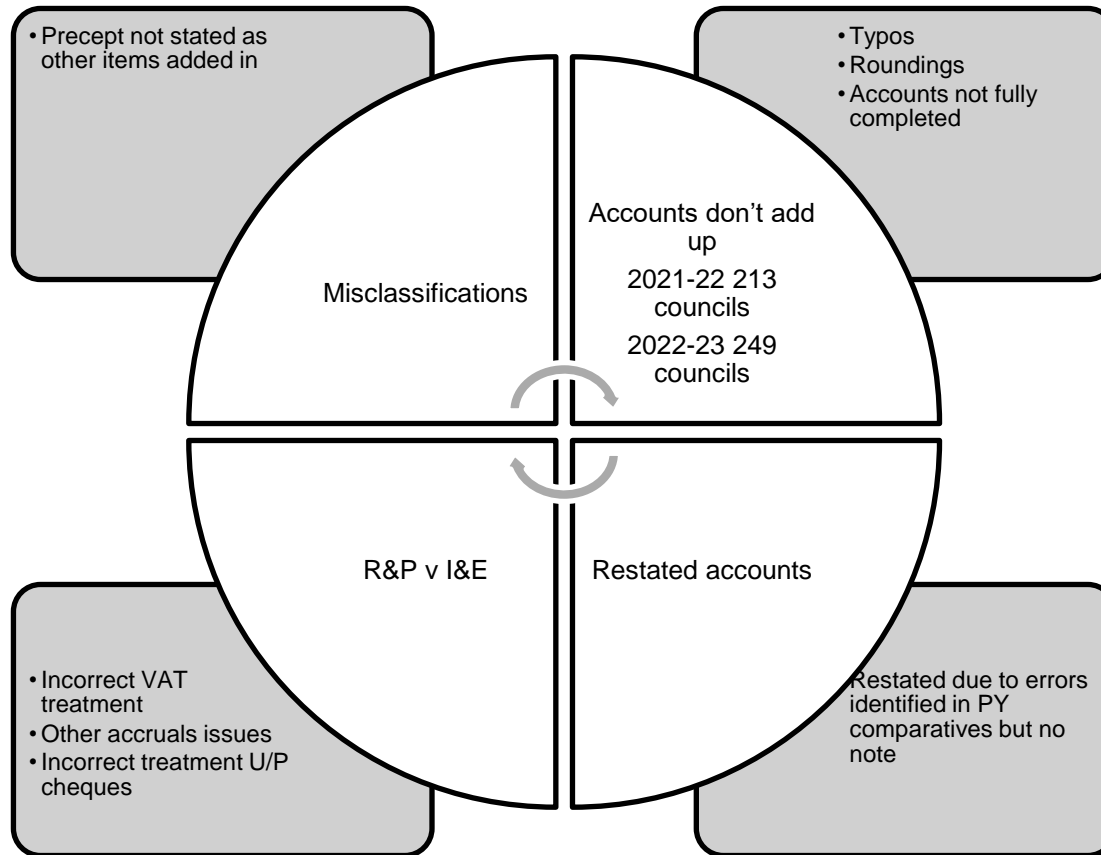


	2019 & earlier	2020-21	2021-22	2022-23
Number of qualified opinions	274	224	263	118
Qualified opinions as % of completed	40%	34%	42%	35%
Qualified for > 1 issue	-	164	160	-

232 triennial full audits have been completed to end January 2024 for 2021-22 and 2022-23. 154 (66%) are qualified

94 Councils received qualified opinions each year for 2019-20 to 2021-22

Accounting Statement issues



Accounting statements – full audit issues



Accounts to cashbook

- Cashbook incomplete/ arithmetic
- Cashbook only for current account
- Reconciling Adjustments not recorded
- Cashbook not provided

Supporting papers

- Transactions to supporting receipts/invoices
- Insufficient detail in cashbook to link to invoice

Payroll

- Payments made agreed to contract
- Pay scale not as per contract
- Change in NALC scale not properly implemented



- Approval of accounts
 - Audit Wales provides a timetable that complies with Regulations
 - 2021-22 50 councils qualified for not meeting 30 June
 - 2021-22 59 councils did not make proper arrangements for inspection of accounts



- Precept
 - Local Government Finance Act 1992 s41(1)(b) & s50
 - Councils hold more in reserves than their annual precept – 168 councils
 - Council generated surplus in 2021-22 but increased precept for 2022-23 – 219 councils
 - Councils generated a surplus in 2022-23 – 313 councils
 - When setting precept, councils don't take into account:
 - Non-precept income inc regular income
 - Reserves

Transparency



- Local Government (Democracy) (Wales) Act 2013
- Local Government and Elections (Wales) Act 2021
- Websites not maintained

Employment of staff



- Contracts of employment
 - 61 councils do not have contracts for clerks
- PAYE
 - Councils **MUST** operate PAYE if:
 - Any employee earns above the lower NI threshold OR
 - Any employee has **ANY OTHER** source of income other than their council salary
 - HMRC cannot grant dispensation to ignore the law
 - Considered at triennial audit – 55 councils for 2021-22 and 2022-23 qualified for this
 - In future to be reported to HMRC

Internal controls



- Controls on paper for making payments
 - Covered at each triennial full audit
- Councils do not operate the controls they describe
 - Payments made are not reported to Council
 - Electronic payments do not allow segregation of duties
 - Record of approval in minutes is ambiguous
 - Schedule of payments buried in mass of other information
 - Still signing blank cheques

Value for money



- Contract standing orders
 - Required by Local Government Act 1972
- Inappropriate thresholds
 - NALC/OVW Model adopted without tailoring
 - Own brand SO/FR do not contain contract standing orders
- Standing orders disregarded
 - By Council without due consideration
 - By Clerk without authorisation

What's next?



- Financial Management and Governance
 - Expected May 2024 but provisional
 - Contents
 - Covers 2019-20 to 2022-23
 - Financial overview
 - Key findings
 - Summary of public reporting

What's next?



- Annual Governance Statement
 - Reviewing with One Voice Wales, Welsh Government and Society of Local Council Clerks
 - Proposed new format statement
 - Retains Yes/No answer format
 - Structured similarly to the Governance Toolkit but aimed at meeting the Accounts and Audit (Wales) Regulations requirement for a statement on internal control
 - Introduce for 2024-25
 - Audit arrangements unchanged
 - Compliance approach
 - Annual themes to be published in advance

Questions

