

Governance and Accountability for Local Councils: A Practitioners Guide (Wales)(2008) - Addendum

Guidance on submitting the 2010 Annual Return

The Accounts and Audit (Wales)(Amendment) Regulations 2010

In March 2010, The Welsh Assembly Government (Assembly Government) made the Accounts and Audit (Wales) (Amendment) Regulations 2010. These Regulations amended the Accounts and Audit (Wales) Regulations 2005 and introduce revised arrangements for the certification and approval of the annual accounts of community councils. The Assembly Government wrote to all community councils on 7th May 2010, explaining the changes made.

The Regulations have an impact on the timing of the discharge of certain community council and audit responsibilities. This guidance is issued by the One Voice Wales and SLCC as an addendum to the Practitioners' Guide. It sets out how community councils can comply with the Regulations and ensure the statutory external audit is completed efficiently. The guidance has been prepared in consultation with the Auditor General for Wales (Auditor General).

What are the changes?

Previously, the Responsible Financial Officer (RFO) certified the statement of accounts in the Annual Return and the council approved the accounts by 30 September.

The new regulations require the RFO to certify the statement of accounts by 30 September. The council must now approve the accounts after the auditor has completed their audit work. The council's approval should take place by 31 December. The council may approve the accounts earlier but if it does it will then be required to re-approve the accounts on completion of the audit. The RFO is required to re-certify the accounts after audit and before they are finally approved by the council.

As with the former Regulations, under the new Regulations the auditor will only issue an audit certificate once the council has approved the accounts in accordance with the Regulations.

Recommended certification and approval process

One impact of the new Regulations is to oblige the RFO, council and the auditor to send information to one another in stages, which introduces additional steps into the certification and approval process. In order to process the audit, the external auditor needs to receive the council's completed annual return and, where appropriate, supporting information, from the council. Councils will, therefore, need to respond to the changes in the accounts and audit process as set out in the Amended Regulations.

In order for the process to work as smoothly as possible, One Voice Wales and SLCC recommend that community councils adopt the following procedure for submitting the 2009/10 Annual Return to the external auditor. The Auditor General will circulate this guidance to external auditors in Wales to ensure they are aware of the revised process.

If you have already provided your 2010 return to your auditor, your auditor will contact you to advise you how to proceed.

Certifying and approving the Annual Return

Process

RFO prepares and certifies the statement of accounts (Section 1 of the Annual Return) by 30 September



Internal auditor completes the Internal Audit Report (Section 4 of the Annual Return) by 30 September



Clerk completes, signs and dates the Annual Governance Statement (Section 2 of the Annual Return) and presents the Annual Return to the council

The council authorises the clerk to send a copy of sections 1, 2 and 4 of the Annual Return to the external auditor by the appointed date



The clerk sends a copy of sections 1, 2 and 4 of the completed Annual Return to the external auditor along with any additional information requested and a statement from the council on the Annual Governance Statement



Following completion of the audit work, the auditor will send a report to the council setting out their audit findings. The council should consider the report and formally approve the Annual Return before sending the original, signed Annual Return to the auditor.

Notes

On the basis of the council having in place a proper internal control framework (including internal audit) during the year, the RFO certifies that the statement of accounts presents fairly the council's income and expenditure or properly presents receipts and payments as appropriate (Regulation 8B).

Internal audit is a key element of the council's system of internal controls. The council must, therefore, receive the internal auditor's report before the Annual Governance Statement is completed. The internal auditor will review and where appropriate, rely on the work of the RFO's preparation of the statement of accounts (see box J of section 4 of the Annual Return)

The council should be aware of the accounting information that is presented to the external auditor.

Although the governance statement is prepared by the clerk, the council should also be in a position to confirm the responses in the Annual Governance Statement before sending the Annual Return to the auditor.

Therefore, the council should receive and consider the annual return before it is sent to the external auditor. When it is satisfied as to the accuracy and completeness of the information reported, it should authorise the clerk to submit a copy sections 1, 2 and 4 of the Annual Return to the auditor. This minimises the amount of copying required. The Council need not sign sections 1 or 2 at this point.

The council should confirm that it has considered and is content with the Annual Return. The council should attach to a copy of the Annual Return, together with:

- Any additional information requested by the auditor; and
- A statement from the council that the assurances recorded in Annual Governance Statement are complete and final subject to the external auditor's findings. A proforma letter is attached at **Annex A**.

The external auditor will complete the audit in accordance with guidance issued by the Auditor General. The auditor will write to inform the council when they are in a position to issue the audit opinion (section 3 of the annual return). An example report from the auditor is attached at **Annex B**.

The council must then consider this report before formally approving the Annual Return. Please note that the meeting at which the council approves the Annual Return should be arranged in sufficient time for the Annual Return to be certified by the external auditor and published in accordance with the Accounts and Audit (Wales) Regulations. Once the Annual Return has been approved it must be sent to the auditor.



The auditor will then issue the audit certificate and send the Annual Return back to the council for publication.

The auditor will complete section 3 (the external audit certificate and opinion) and send the Annual Return back to the council for publication. The auditor cannot complete section 3 until the council approves the Annual Return.

Arrangements for the 2010/11 audit

For 2010/11, the Annual Return will be redesigned to reflect the requirements of the Amended Regulations, and simplify the handling of information between the RFO, council and the auditor as far as is possible. The One Voice Wales/SLCC Governance and Accountability for Local Councils: A Practitioners Guide (Wales) (the Practitioners' Guide) will be updated to take into account the new arrangements. Councils are advised to refer to the 2010 edition of the Practitioners Guide when it is published later this year.

Annex A: Proforma covering letter to the external auditor to accompany the initial submission of the Annual Return

Auditor Name and address

Dear

XXX Community Council: Annual Return 2010

The Annual Return for XXX Community Council for the year ended 31 March 2010 was considered by the Council on xx/mmm/2010. A copy of the Annual Return is included along with the other documents you requested.

Section 1: the Statement of Accounts has been certified by the Responsible Financial Officer in accordance with Regulation 8B of the Accounts and Audit (Wales) Regulations 2005 (as amended).

Section 2: the Annual Governance Statement has been completed, certified by the clerk and has been presented to the Council. To the best of our knowledge and belief and subject to your audit findings, the responses to each statement of assurance in Section 2 are accurate, complete and represent the Council's final responses.

On receipt of the Audit Report, following any necessary changes to Section 1 of the Statement of Accounts, the Council will formally approve the Annual Return and remit back to the auditor.

Yours sincerely

Chair

Annex B: The external auditor's report on the completion of the audit

XXX Community Council: Annual Return for the year ended 31 March 2010

Dear Councillors

The Appointed Auditor is responsible for providing an opinion:

- on whether the information contained in the Council's Annual Return for the year ended 31 March 2010 is in accordance with the Auditor General for Wales' requirements; and
- that no matters have come to the Auditor's attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

We received the draft Annual Return for the financial year ended 31 March 2010 on date, [x] days prior to the agreed deadline of [date], and have now substantially completed our audit work. [We are reporting to you the most significant issues arising] [There are no issues arising] which we believe you should consider prior to approval of XXX Community Council's Annual Return in accordance with the Accounts and Audit (Wales) Regulations 2005 (as amended) (the Regulations).

Proposed audit certificate and opinion

It is our intention to issue:

- [an unqualified certificate and report and there are no other matters which we wish to draw to the attention of the Council]
- [an unqualified certificate and report with other matters which we wish to draw to the attention of the Council]
- [a qualified certificate and report , but there are no other matters which we wish to draw to the attention of the Council]
- [a qualified certificate and report with other matters which we wish to draw to the attention of the Council]

Qualification issues

[There are no issues in respect of which we propose to issue a qualified audit opinion on the Annual Return for the year ended 31 March 2010.] [We propose issuing a qualified audit opinion on the Annual Return for the year ended 31 March 2010 in respect of the following issues:

- Insert a brief summary of the issues requiring qualification]

Other matters not affecting our opinion

[There are no other matters not affecting our opinion that we wish to draw the attention of the Council.] [We wish to draw the following matters not affecting our opinion to the attention of the Council:

- Insert a brief summary of the issues to be reported]

Misstatements in the Statement of Accounts

[There are no misstatements in Section 1: the Statement of Accounts that have not been corrected.]

[During the audit, we identified the following misstatements that remain uncorrected. We request that these are now corrected. If you decide not to correct these misstatements, we ask that you provide us with the reasons for non-correction.

- Insert a brief summary of the uncorrected misstatements]

Approving the Annual Return

The Responsible Financial Officer should now re-certify “Section 1: The Statement of Accounts” in accordance with Regulation 8B of the Regulations.

The Council should then approve the Annual Return and the Chair of the meeting approving the Annual Return should sign section 1 and section 2. Once the Annual Return has been approved, it should be sent to the address above. Once we have received the Annual Return from you, we will complete Section 3 and send you a notice of conclusion of the audit.

Yours sincerely

Appointed Auditor