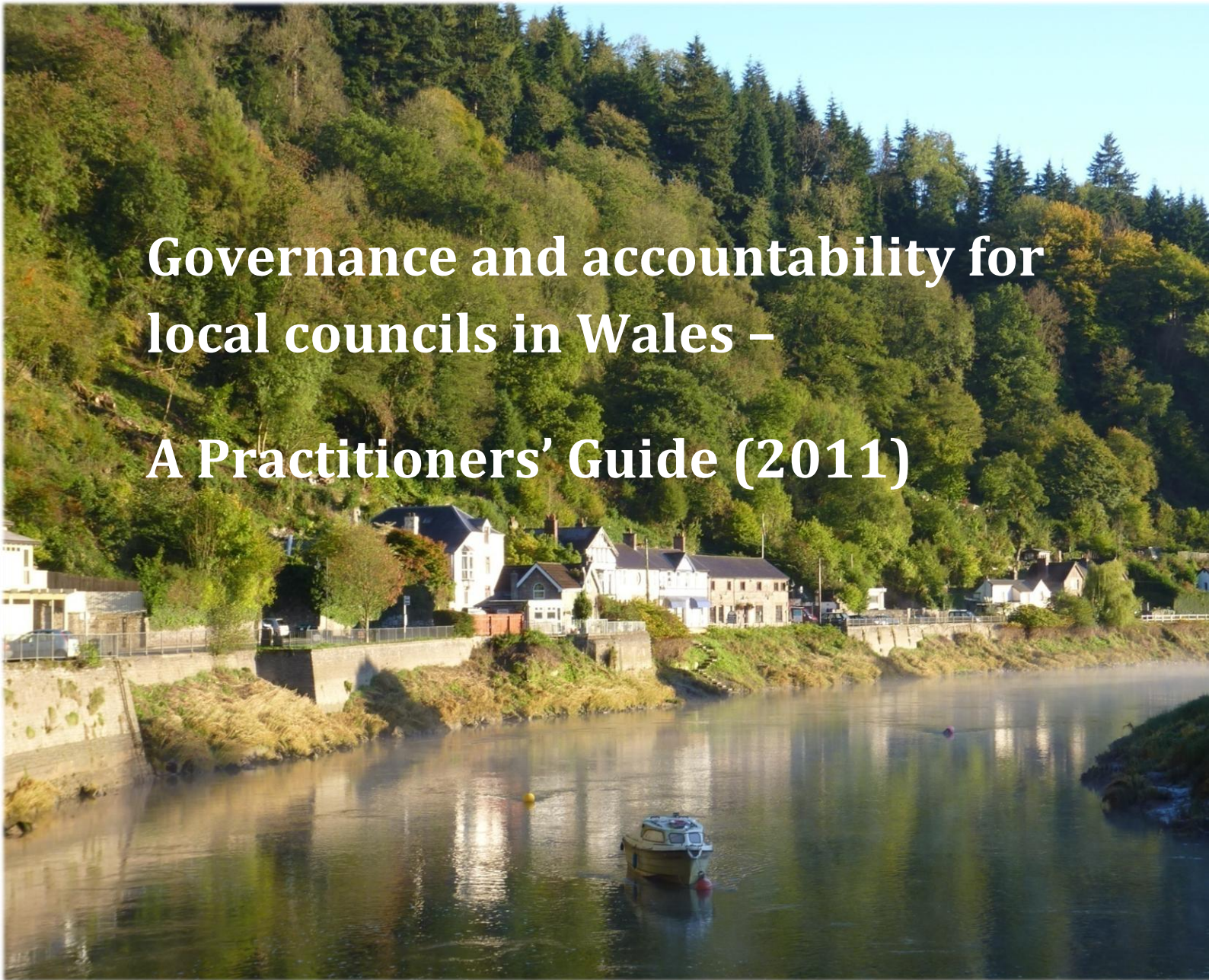


Governance and accountability for local councils in Wales – A Practitioners' Guide (2011)



Un Llais Cymru



One Voice Wales

Society of
Local Council Clerks

Part 5 – The external audit

Part 5: The external audit

Local councils must have their accounts audited each year. Part 5 explains the audit process and provides guidance what the council needs to do for the audit.

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Chapter 23: Public rights and the external auditor's responsibilities

This chapter describes the rights of members of the public to inspect the accounts and to approach the external auditor.

What rights does the public have in respect of the council's accounts?

1. Councils are custodians of public money. The Act and the Regulations contain important provisions that open the accounts of a council up to public scrutiny. Members of the public, as well as local councillors, have rights to satisfy themselves about the regularity of a council's finances and to ask questions and make objections to particular items of account.

2. In summary, the public has the right to:

Public rights	Explanation
Inspect and make copies of the statement of accounts and auditors' reports	When the council prepares the accounts it advertises they are available for inspection. Members of the public can obtain copies of the accounts, inspect, and make a copy of any report the auditor makes to the council.
Inspect the accounts and supporting documents	When the council has advertised the availability of its accounts for inspection, members of the public can inspect the accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them. They may not inspect documents that are not relevant to the accounts or are otherwise legally protected e.g. employee records.
Ask questions at the audit	Once the audit begins, members of the public can ask the auditor questions about the accounts for the year they are auditing.
Object to the accounts or items within the accounts	Registered electors of the council or their representative may object to the accounts or items within them. There are two grounds for an objection: <ul style="list-style-type: none">• That an item of account is unlawful; or• There is something in the accounts that the auditor should tell the public about in a public interest report.

3. These opportunities for scrutiny cover both the books of account and the statement of accounts, but are restricted to particular times. Although councils are not required to open their books on request, increasingly there is a move towards their doing so in pursuit of demonstrating openness and transparency.

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4. For more detailed information about the rights of electors please refer to the Auditor General's publication 'Your rights in Wales: Councils' Accounts'. This can be found at: http://www.wao.gov.uk/assets/englishdocuments/WAO_Council_Accounts_A5_eng.pdf or http://www.wao.gov.uk/assets/welshdocuments/WAO_Council_Accounts_A5_welsh.pdf

What does the council have to do?

5. The particular things that the council must do to facilitate public rights in relation to the accounts are:
 - advertise the rights of the public at the appropriate times;
 - allow public inspection of the statement of accounts prepared in accordance with either part 3 or Part 4 of this guide and the supporting accounting records and other documents once the statement of accounts has been drafted; and
 - publish the statement of accounts after the audit, together with the auditor's report, and make available other relevant documents e.g. reports in the public interest.
6. The council's appointed external auditor is the person responsible for setting the date of the commencement of the audit. Members of the public can exercise their rights under the Act from this date until the audit is closed. The appointed auditor will inform the clerk of this date in the notice of audit sent to the council in order that it can be advertised by display in a prominent place. Similarly, the council must display a public notice that it has received the auditor's certificate. This certificate closes the audit for the year. For councils below the £1 million threshold and preparing an annual return, the auditor's certificate is in section 3 of the annual return.
7. The council must carry out its duties in accordance with the law. As with all aspects of the law, there is scope for interpretation as to what the provisions of the Regulations require. Councils often ask if they have any discretion to restrict access to the books of accounts if they suspect that the interested party is seeking to get hold of personal or commercially sensitive information. Personal information held by a council, for example, is protected under s30 (3) of the Act. This protection extends to personal details of staff and their individual salaries and deductions. If the council is uncertain what information it should make available, it should seek appropriate advice.
8. To ensure they understand requirements of the Act and Regulations, members, clerks and RFOs should read the relevant sections of the Act, the Regulations and the Assembly Government's guidance on the Regulations. The council should also be aware of the consequences of failing to meet those requirements.
9. Councils should use this guidance only to provide support for their own conclusions as to what the Regulations require them to do. Where there is doubt, councils should consider taking legal advice.

The external auditor's responsibilities

10. The Auditor General for Wales appoints external auditors for local councils. The external auditor makes sure that the council has effective financial checks and balances and prepared the accounts properly. The external auditor gives an opinion on whether or not the council properly completed its accounts. The external auditor performs his or her statutory responsibilities by the examination of the accounts or annual return and by responding to issues raised by members of the public.
11. The external auditor is not responsible directly for enforcing the provisions relating to public scrutiny. However, they may be unable to carry out the audit because others do

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not discharge their responsibilities (e.g. failure to advertise the audit), they may be willing to comment on issues that the council finds difficult to resolve.

12. The auditor does not have to answer questions about the council's policies, finances, procedures or anything else that is not relevant to the accounts. If an elector makes an objection because an item of account is unlawful, the auditor must reach a decision and if requested, provide a statement of reasons. If the objection is on the grounds of a matter of public interest, the auditor must decide whether to take any action but is not required to give reasons for the decision.

Chapter 24: External audit for smaller councils with income and expenditure below £1 million

This chapter describes the audit process for councils with income and expenditure below £1 million and who prepare an Annual Return.

What form does the audit take?

13. Councils that complete an annual return receive a limited assurance audit carried out in accordance with guidance issued by the Auditor General. Councils that prepare a full statement of accounts in accordance with Part 4 of this Practitioners' Guide receive a different form of audit as described in Chapter 22. This applies even if the council's income and expenditure are below the £1 million threshold. The flowchart in Appendix 8 illustrates the different audit approaches.
14. The auditor's responsibilities are governed by:

Guidance	Description
Legislation	The Public Audit (Wales) Act 2004 provides the statutory basis for the appointed auditor's responsibilities and powers.
Auditor General's Code of Audit Practice	The Code prescribes the way in which auditors of local government bodies are to carry out their functions. It includes: <ul style="list-style-type: none">• The General Code – prescribes the way in which the auditor must carry out his/her functions: and• The Specific Code – further prescribes the way in which the auditor must carry out particular functions as part of a co-ordinated approach to audit work.
Other Auditor General Guidance	From time to time, the Auditor General issues guidance to auditors. Auditors must comply with the guidance as it applies to their work.

How does the auditor report the results of the audit?

15. In normal circumstances, the external auditor provides the Council with two documents that summarise their audit. These are:
 - The audit report on completion of the audit; and
 - The audit opinion and certificate.

The audit report on completion of the audit

16. When the audit is complete, the external auditor will send a report to the Council setting out what they found during the audit. They send this report to the Council before the Council approves the Annual Return.

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17. The report may include the following matters
 - Errors found in the accounting statements;
 - Weaknesses in the Council's financial and governance arrangements;
 - Details of where the Council has failed to meet regulatory and other requirements; and
 - Recommendations for how the Council can improve its arrangements and prevent these problems from occurring again.
18. This report will also say what opinion the auditor will give when they complete section 3 of the annual return.
19. The external auditor sends this report to the council but does not at this stage complete the audit opinion in section 3 of the annual return. When the Council receives this report, it must meet to consider the report and consider any suggestions made for amending the annual return and recommendations for improving the Council's arrangements. The RFO then certifies section 3 of the Annual Return and the Council approves the Annual Return. The Chair's signature in section provides evidence that the Council approved the return.
20. When all this is complete, the Council sends the original Annual Return to the external auditor for the audit opinion to be completed.

The audit opinion and certificate

21. The audit opinion sets out the external auditor's conclusion from the audit work they perform. The opinion confirms whether or not, in the auditor's opinion, the information contained in the return is in accordance with proper practices and explains if any matters came to the auditor's attention during the audit, that give the auditor reason to believe the Council failed to meet its responsibilities in relation to the audit. The audit opinion is said to be 'qualified' when the auditor reports issues in section 3.
22. Typically, auditors qualify annual returns for the following reasons:
 - Failure to meet the requirements of the Accounts and Audit (Wales) Regulations e.g. preparing the accounting statements on the wrong basis, failing to keep proper accounting records, failing to prepare and/or approve the annual return within the timetable set by the Regulations and failing to have an adequate internal audit function; and
 - Other breaches of legislation. Most commonly, these involve the council incurring expenditure for which it has no legal power to incur.
23. Other matters that do not affect the auditor's opinion will be included in audit report on completion of the audit.

How do external auditors meet their responsibilities?

24. Auditors meet their responsibilities by:
 - reviewing compliance with the requirements for the preparation of the annual accounts;
 - carrying out a high level analytical review of financial and other information provided to the auditor (including information provided by the public);
 - obtaining and reviewing such additional information and explanation as is necessary to provide sufficient evidence that the council maintained an adequate system of internal control throughout the financial year.
25. Where based on this review the auditor requires further evidence in relation to any relevant matter, they may undertake additional testing to address their concerns.

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26. When the auditor has completed the audit, they give an opinion on the accounts and certify the annual return. Auditors provide assurance in the form of an opinion whether, based on their review, the accounts and other information provided are in accordance with the specified requirements and that no matters have come to their attention giving cause for concern that relevant legislative and regulatory requirements have not been met.

What is the audit process?

27. The following table summarises the tasks that a typical council will need to schedule in order to prepare the accounts and facilitate the audit process (references are to the Accounts and Audit (Wales) Regulations 2005). Following this process will help to ensure that the Council complies with the Regulations and avoid some of the most common qualification matters:

Step	Task	Comments
1	Arrange for the council to receive the documents needed to prepare the annual return	<p>Likely tasks include:</p> <ul style="list-style-type: none"> requesting bank statements for 31 March for all bank accounts arranging for savings account books to be made up to date for 31 March obtaining written confirmation of other investments at 31 March, including interest for the year
2	<p>Close, balance and reconcile the cashbook, update the schedule of assets and liabilities.</p> <p>Draw up accounting statements and Annual Governance Statement</p>	<p>This should be done as soon as practicably possible after the end of the financial year and certainly in good time for the RFO to certify Section 3 of the annual return by 30 June (30 September for 2010/11).</p> <p>For advice on balancing and reconciling the cashbook, see chapters 15 and 16. For advice on preparing income and expenditure adjustments, see chapter 19.</p> <p>The RFO prepares the annual accounting statements, and annual governance statement (on behalf of the Council) on receipt of the Annual Return from the external auditor.</p>
3	Internal auditor completes the Internal Audit Report (Section 4 of the Annual Return) by 30 June (30 September for 2010/11)	Internal audit is a key element of the council's system of internal controls. Therefore, the council must receive the internal auditor's report (Section 4) 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 accounting statements (see line J of section 4 of the Annual Return)
4	RFO certifies that the accounting statements properly presents (receipts and payments accounts) or presents fairly (income and expenditure accounts) the finances of the Council	<p>Ensure receipt of current year annual return from the external auditor in good time.</p> <p>Regulation 8B requires the RFO to certify that the accounting statements properly presents (receipts and payments accounts) or presents fairly (income and expenditure accounts) the finances of the Council. This is completed on page 1 of the Annual Return.</p> <p>The latest date for the RFO to certify the accounting statements is 30 June (30 September for 2010/11).</p>
5	Council approval of annual return	Arrange for the necessary committee and/or full council meeting to receive and approve (on page 1) the Annual Return before sending a copy of the return and supporting information to the external appointed auditor.

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5	Receive confirmation of the date of audit with the auditor	<p>As part of their statutory responsibilities, the external auditor will appoint a date when local electors can exercise their right to ask questions about the accounts or to object to any item of account and to notify the council (Regulation 12).</p> <p>The council has no official role to play on this date, but needs to know the date to complete steps 6 and 7 before the date appointed.</p>
6	Display a notice of public rights under audit	<p>In preparation for step 7, regulation 15 requires councils to display a notice (or notices) in a conspicuous place(s) in the council's area setting out:</p> <ul style="list-style-type: none"> • the dates of the 20 working day period during which the accounts and other documents will be available for inspection; • the place at which, and the hours during which, they will be available; • the name and address of the auditor; • the rights conferred on the public by sections 29, 30 and 31 of the Public Audit (Wales) Act 2004 (public inspection of accounts and right to challenge), especially the effects of section 31 (2) requiring prior written notice of objections to be sent to the auditor and the council; and • the date appointed by the auditor. <p>The council must display the notice for at least 14 days immediately before the date in step 7.</p> <p>Step 7 must begin at least 20 working days before the date appointed by the auditor. This means that the notice is required at least six weeks before the appointed date (and longer if there are any public holidays during the inspection period). It is important for the council to ensure that the notice is posted promptly and that it remains displayed for the whole 14-day period. The council will be giving a public assurance as part of the annual governance statement in the annual return that it carried out this step.</p>
7	Make the accounting statements and other documents available for inspection	<p>Regulation 13 requires the accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them to be available for inspection by interested parties for 20 working days before the auditor's appointed date. The council can require that interested parties give reasonable notice that they want to inspect records and do not have to grant immediate access on request. The public are entitled to make copies of any of the documents available for inspection. This can be the most contentious part of the accounts and audit process, where allegations can arise that the council does not make the documents available or that interested parties are taking advantage of the inspection period. Section 30(3) of the Act prevents a council from releasing certain personal information about members of staff. In other cases where a council wishes to withhold information, legal advice should be sought. The inspection period has to be complete before the auditor's appointed date for audit.</p>
8	The audit	<p>Section 18 of the Act entitles auditors to rights of access at all reasonable times to all documents of the council that the auditor determines are necessary for the audit. The auditor also has a right to require any persons holding or accountable for documents to provide any information and explanations the auditor thinks necessary for the audit. In</p>

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		<p>most instances, however the council and the auditor will co-operate by agreeing a time when the audit work is to be performed and the RFO will be available to assist the auditor. The Auditor General provides guidance to external auditors. Summarised guidance from the Auditor General to appointed auditors in Wales is at Appendix 5.</p> <p>On completing the audit work, the external auditor will send a report to the clerk setting out the findings from the audit and the proposed audit opinion. At this stage, the auditor will not have issued the audit certificate.</p>
9	<p>RFO re-certifies Section 3 of the Annual Return and submits the Annual Return to the Council for approval under Regulation 9. The external auditor's report must accompany the Annual Return.</p>	<p>Before submitting the Annual Return to the Council for approval, regulation 8B (3) requires the RFO to certify the accounting statements once more.</p> <p>The certification is set out in Section 3 of the annual return and just needs signing by the RFO. This certification is required from the post holder at the time rather than that for the year (or part year) under review.</p> <p>Once the RFO has re-certified Section 3, the Annual Return should be presented to the Council for formal approval. The external auditor's report must accompany the presentation of the Annual Return.</p> <p>After RFO certification, regulation 9 requires that the accounts be approved by a meeting of the council (or one of its committees if the Council's Standing Orders permit delegation of this duty) and that the person presiding at that meeting signs and dates the accounts to signify the completion of the approval process.</p> <p>Section 3 of the annual return provides space to record the Council's resolution and the presiding member's signature.</p>
10	<p>The clerk sends the approved annual return to the external auditor.</p>	<p>The council should send the annual return to the external auditor as soon as it is approved. The auditor will certify the return and send it back to the council.</p> <p>Councils should allow sufficient time for the auditor to send the Annual Return back to the Council for the publication of the accounts.</p>
11	<p>Publish the statement of accounts</p>	<p>Regulation 11(1) states that as soon as reasonably possible after the completion of the audit or by 30 September in any event (31 December for 2010/11), the local council should publish its accounting statements and the auditor's certificate.</p> <p>The council can meet this requirement by displaying in a conspicuous place sections 1-3 of the annual return. Any report issued by the auditor should also be made available for inspection.</p> <p>Copies should also be kept for purchase by any person on payment of a reasonable sum.</p> <p>A public notice in a conspicuous place stating that the accounts have been published is also required.</p> <p>If the accounts are published before the audit certificate is received, the notice should declare and explain the fact that an audit opinion has not yet been given.</p> <p>The Assembly Government's guidance circular (04/2005) on the Accounts and Audit (Wales) Regulations 2005 clarifies the meaning of "publication" in Regulation 11 and gives examples of good practice. Although publication does not require any preparation beyond the annual return nor the distribution of copies of the statement of accounts to persons who have not expressed an interest in receiving them, it does require positive action. Publication does not mean merely the</p>

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appearance of the accounts in the documents of meetings, committees or sub-committees of the council. Nor is the requirement covered by merely providing copies to enquirers on demand. Good practice might include putting a copy on each of the council's notice boards, copying it onto a website, publishing it as a separate leaflet or publication in a newspaper or as part of a newsletter. It is a matter for the council to consider the appropriateness of the publication arrangements they have in place, bearing in mind the need to make information as widely available as practicable, but also taking into account local circumstances, including the size of the local council, the resources available, the number of electors, and the existence of any local information networks

What information does the auditor need?

28. The annual return also requires the council to provide supporting documentation for the accounts in Section 1 to the auditor. Because of its importance as confirmation that the bank's records support the council's books of accounts, the most important document for the audit is the year-end bank reconciliation. A reconciliation should be prepared to at least the detail of the example in chapter 16. This allows the auditor to appreciate the difference between the year-end cashbook and bank account balances and the nature of the items that reconcile the difference. The external auditor will expect a separate reconciliation for each of the bank accounts operated by the council.
29. The other supporting documentation required to accompany the statement of accounts is a brief explanation of significant year-on-year variations between the figures on the Return. This is because the auditor will consider the reasonableness of the Return using a technique called analytical review. The auditor will look at the council's figures for last year and, using their knowledge of the council and of the influences over the council this year, develop an expectation for what this year's figures should be. The auditor will compare these expectations with the actual figures. Where they significantly differ, the auditor may have some concern that the accounts might be wrong. Councils will be able to remove this doubt by providing explanations where the differences between this year and last year are not straightforward.
30. For example, the expectation would be that staff costs would rise each year by wage inflation. Thus, if the clerk's remuneration had risen from £2,500 to £2,590 year on year (3 per cent), this could reasonably be assumed to be attributable to a cost of living increase. However, if the remuneration had risen to £2,900 (16 per cent), then the auditor would need reassurance that the council had not made a mistake in recording staff costs. If the explanation was that the council had implemented tighter new financial procedures that required the clerk to work more hours a week, this should be set out in a note to the auditor.
31. The important thing about such information notes is that they should remove doubts about possible errors or omissions, and they therefore need to explain fully the difference. For example, a note stating simply that staff costs had risen 20 per cent because the clerk's hours had risen 20 per cent would still leave the question as to why the hours had risen this year.
32. It is impossible to give definitive guidance on what significant year-on-year variations are by, for example, giving a standard percentage figure below which movements need no explanation. It might sometimes be significant that there has been no change between this year's and last year's figure. For instance, if a council's other payments were high in one year (e.g. because of exceptional expenditure on re-roofing the offices), the auditor

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would expect in the following year that payments would fall back to the usual level and not remain at the same high value. "No change" in the accounts would then be significant and need explanation. However, as a general 'rule of thumb' the council should explain any change of plus or minus 10 to 15 per cent or more in any line item. The council should also explain any item of income or expenditure that has either started or ceased.

33. The test for significance is whether, if the figures were amended to leave an item out, someone reading the annual return would get a different idea about how much the council had spent or how much income it had generated in the year. This difference might be enough to think it had done better or worse than it actually had.
34. In deciding what needs commenting on councils should think about noting the following:
 - one-off items of spending or income from last year and this year;
 - regular items of spending and income where the relevant activity (e.g. number of hall bookings) has risen or fallen between the two years or where prices have not changed in line with inflation (e.g. a price freeze on charges for hall rentals);
 - items of spending and income that used to be regular but which were made for the last time last year and do not feature in the current year (e.g. a grant to a sporting association that went out of existence); and
 - items of spending and income that were made for the first time in the current year and will be made regularly in future years (e.g. running expenses for a newly opened one-stop shop facility).
35. The external auditor will also need written explanations where negative answers have been given in section 2 (Annual Governance Statement) and Section 4 (Internal Audit report). The explanations provided should clarify why the council or internal auditor has not given a positive response and the action the council will take to address the issues raised.
36. Appendix 8 provides a checklist for councils to use to ensure that the annual accounts and reporting tasks have been completed.

The intermediate audit

37. The intermediate audit seeks to test one or more of the assertions made by the audited council and thereby obtain additional audit evidence through a 'show me' approach to the information provided by the council in the Annual Governance Statement. The auditor may request documents to support each of the assertions, request the council to complete an additional questionnaire or undertake other audit procedures.
38. In addition, the auditor may also consider the following factors, when information is received from the council:
 - the outcome of the analytical review of information supplied; and
 - the level of compliance with auditor requirements.
39. The Auditor General expects the evidence required by auditors for intermediate audit to be proportionate to audit risk. Auditors may plan a cyclical approach to the audit of the statement of assurance based on risk in order to minimise the additional information required annually.
40. The auditor will tell councils in the audit notice if they are to be subject to an intermediate audit.

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What will the cost of the audit be?

41. For both basic and intermediate audits, the external auditor will charge a fixed fee in accordance with the fee scale published by the Auditor General for Wales. The Auditor General's fee scale is set out in Appendix 9 and will be updated as and when appropriate.

Chapter 25: External audit for councils over the £1 million threshold

This chapter explains the audit arrangements for larger local councils with income and expenditure over £1 million and those smaller councils that choose to prepare statements of accounts under Part 4.

What form does the audit take?

42. Councils that complete an annual return in accordance with Part 3 of this guide receive a limited assurance audit carried out in accordance with guidance issued by the Auditor General. This applies to the majority of councils with income/expenditure of less than £1 million. Those councils should refer to chapter 23 when preparing for the audit.
43. Councils that prepare a full statement of accounts in accordance with Part 4 of this Practitioners' Guide receive a different form of audit as described below. This applies even if the council's income and expenditure are below the £1 million threshold.
44. Councils that prepare a full statement of accounts in accordance with Part 4 of this Practitioners' Guide receive a different form of audit as described below. This applies even if the council's income and expenditure are below the £1 million threshold.
45. The auditor's responsibilities are governed by the following guidance:

Guidance	Description
Legislation	The Public Audit (Wales) Act 2004 provides the statutory basis for the appointed auditor's responsibilities and powers.
Auditor General's Code of Audit Practice	The Code prescribes the way in which auditors of local government bodies are to carry out their functions. It includes: <ul style="list-style-type: none">• The General Code – prescribes the way in which the auditor must carry out his/her functions: and• The Specific Code – further prescribes the way in which the auditor must carry out particular functions as part of a co-ordinated approach to audit work.
Professional Standards	These include standards that auditors must follow e.g. International Standards on Auditing (ISA) issued by the Audit Practice Board (APB). The APB also publishes Practice Note 10 with guidance on the application of the ISAs when auditing public sector bodies.
Other Auditor General Guidance	From time to time, the Auditor General issues guidance to auditors. Auditors must comply with the guidance as it applies to their work.

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46. Auditors discharge their responsibilities by:
- undertaking detailed audit testing to obtain reasonable assurance about whether the statement of accounts as a whole are free from material misstatement whether due to fraud or error;
 - expressing an opinion on whether the statement of accounts are prepared in all material respects, in accordance with the applicable financial reporting framework; and
 - communicating audit findings and audit opinion as required by statute and the ISAs.

What is the audit process?

47. The following table summarises the tasks that a typical council will need to schedule in order to prepare the accounts and facilitate the audit process (references are to the Accounts and Audit (Wales) Regulations 2005):

Step	Task	Comments
1	Arrange for the council to receive the documents needed to prepare the annual return	<p>Likely tasks include:</p> <ul style="list-style-type: none"> • requesting bank statements for 31 March for all bank accounts; • arranging for savings account books to be made up to date for 31 March; and • obtaining written confirmation of other investments at 31 March, including interest for the year.
2	<p>Close, balance and reconcile the cashbook, update the schedule of assets and liabilities.</p> <p>Draw up Statement of Accounts and Annual Governance Statement</p>	<p>This should be done as soon as practicably possible after the end of the financial year and certainly in good time for the RFO to certify the statement of accounts by 30 June (30 September for 2010/11).</p> <p>For advice on balancing and reconciling the cashbook, see chapter 15.</p> <p>The RFO prepares the annual statement of accounts in the form set out in Part 4.</p>
3	RFO certifies that the statement of accounts presents fairly the finances of the council	<p>Regulation 8B requires the RFO to certify that the statement of accounts presents fairly the finances of the council.</p> <p>The latest date for the RFO to certify the accounts (see step 6) of the annual return is 30 June (30 September for 2010/11).</p>
4	Receive confirmation of the date of audit with the auditor	<p>As part of their statutory responsibilities, the external auditor will appoint a date when local electors can exercise their right to ask questions about the accounts or to object to any item of account and to notify the council (Regulation 12).</p> <p>The council has no official role to play on this date, but needs to know the date to complete steps 5 and 7 before the date appointed.</p>
5	Display a notice of public rights under audit	<p>In preparation for step 7, regulation 15 requires councils to display a notice (or notices) in a conspicuous place(s) in the council's area setting out:</p> <ul style="list-style-type: none"> • the dates of the 20 working day period during which the accounts and other documents will be available for inspection; • the place at which, and the hours during which, they will be available; • the name and address of the auditor;

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		<ul style="list-style-type: none"> the rights conferred on the public by sections 29, 30 and 31 of the Public Audit (Wales) Act 2004 (public inspection of accounts and right to challenge), especially the effects of section 31 (2) requiring prior written notice of objections to be sent to the auditor and the council; and the auditor's appointed date <p>The council must display the notice for at least 14 days immediately before the date in step 7.</p> <p>Step 7 must begin at least 20 working days before the auditor's appointed date. This means that the notice is required at least six weeks before the appointed date (and longer if there are any public holidays during the inspection period). It is important for the council to ensure that the notice is posted promptly and that it remains displayed for the whole 14-day period. The council will be giving a public assurance as part of the annual governance statement in the annual return that it carried out this step.</p>
6	Make the statement of accounts and other documents available for inspection	<p>Regulation 13 requires the accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them to be available for inspection by interested parties for 20 working days before the auditor's appointed date. The council can require that interested parties give reasonable notice that they want to inspect records and do not have to grant immediate access on request. The public are entitled to make copies of any of the documents available for inspection. This can be the most contentious part of the accounts and audit process, where allegations can arise that the council does not make the documents available or that interested parties are taking advantage of the inspection period. Section 30(3) of the Act prevents a council from releasing certain personal information about members of staff. In other cases where a council wishes to withhold information, legal advice should be sought. The inspection period has to be complete before the auditor's appointed date for audit.</p>
7	The audit	<p>Section 18 of the Act entitles auditors to rights of access at all reasonable times to all documents of the council that the auditor determines are necessary for the audit. The auditor also has a right to require any persons holding or accountable for documents to provide any information and explanations the auditor thinks necessary for the audit. In most instances, however the council and the auditor will co-operate by agreeing a time when the audit work is to be performed and the RFO will be available to assist the auditor. The Auditor General provides guidance to external auditors.</p> <p>On completing the audit work, the external auditor will send a report to the clerk setting out the findings from the audit and the proposed audit opinion. At this stage, the auditor will not have issued the audit certificate.</p>
8	RFO re-certifies the statement of accounts and submits them to the council for approval under Regulation 9. The external auditor's report must accompany the statement of accounts.	<p>Before submitting the statement of accounts to the council for approval, regulation 8B(3) requires the RFO certify the statement of accounts once more.</p> <p>This certification is required from the post holder at the time rather than that for the year (or part year) under review.</p> <p>Once the RFO has re-certified the statement of accounts, they should be presented to the council for formal approval. The external auditor's report must accompany the presentation of the statement of accounts.</p>

Part 5 – The external audit

		After RFO certification, regulation 9 requires that the accounts be approved by a meeting of the council (or one of its committees if the council's Standing Orders permit delegation of this duty) and that the person presiding at that meeting signs and dates the accounts to signify the completion of the approval process.
9	The clerk sends the approved statement of accounts to the external auditor.	The council should send the statement of accounts to the external auditor as soon as they are approved. The auditor will certify the statements and send them back to the council. Councils should allow sufficient time for the auditor to send the statement of accounts back to the council for the publication of the accounts.
10	Publish the statement of accounts	<p>Regulation 11(1) states that as soon as reasonably possible after the completion of the audit or by 30 September in any event (31 December for 2010/11), the local council should publish its statement of accounts and the auditor's certificate. Copies should also be kept for purchase by any person on payment of a reasonable sum.</p> <p>A public notice in a conspicuous place stating that the accounts have been published is also required.</p> <p>If the accounts are published before the audit certificate is received, the notice should declare and explain the fact that an audit opinion has not yet been given.</p> <p>The Assembly Government's guidance circular (04/2005) on the Accounts and Audit (Wales) Regulations 2005 clarifies the meaning of "publication" in Regulation 11 and gives examples of good practice. Although publication does not require any preparation beyond the accounts nor the distribution of copies of the statement of accounts to persons who have not expressed an interest in receiving them, it does require positive action. Publication does not mean merely the appearance of the accounts in the documents of meetings, committees or sub-committees of the council. Nor is the requirement covered by merely providing copies to enquirers on demand. Good practice might include putting a copy in public libraries, on notice boards, copying it onto a website, publishing it as a separate leaflet or publication in a newspaper or as part of a newsletter. It is a matter for the council to consider the appropriateness of the publication arrangements they have in place. They should bear in mind the need to make information as widely available as practicable, but also take into account local circumstances, including the size of the local council, the resources available, the number of electors, and the existence of any local information networks.</p>

What will the audit fee be?

The audit of statement of accounts prepared under Part 4 of this guide falls outside the fixed fee scale set out in Appendix 9. Councils will agree a fee with their auditor based on the audit risk assessment and the extent of audit work required.