

**Reference:** IR878

**Date issued:** 10 August 2023

## Outstanding local authority audits

Thank you for your email of 27 July 2023 in which you provided clarification of your request for information in your email of 7 June 2023. I am writing to provide the information that you requested insofar as I can, i.e. in relation to your questions 1 to 3, and to seek further clarification of your remaining questions. I am sorry for our omission to request clarification of those questions when we wrote to you in June.

I have set out, along with some explanation, under your clarified questions 1 to 3, the information you requested as follows.

### **1. How many audits do you undertake for Local Authorities [the 22 principal councils] in Wales?**

I should note that our audits of the 22 principal councils in Wales, and related accounts, are undertaken on the basis of statutory requirements, chiefly Part 2 of the Public Audit (Wales) Act 2004, rather than "for" the councils per se. In addition to the 22 audits of the 22 principal councils in Wales, we also undertake in relation to those councils audits of eight pension funds, 20 joint committees, five harbour authorities and port health authorities, and four Welsh Church Act Fund audits.

### **2. How many audits are conducted for Town and Community Councils?**

Again, I should note that our audits of town and community councils are undertaken on the basis of statutory requirements--Part 2 of the Public Audit (Wales) Act 2004--rather than "for" the councils per se. In respect of the financial year 2022-23, we are scheduled to undertake 735 audits of town and community councils, and five audits of related joint committees.

### **3. What is the expected timeframe for these [town and community council audits] to be conducted?**

All except one town council falls within the definition of "smaller relevant body" provided by Regulation 2 of the Accounts & Audit (Wales) Regulations 2014. For such smaller relevant bodies, the Regulation sets a deadline of 30 September in the year immediately following the end of the year to which the accounting statements relate for the body to publish the auditor's certificate, opinion or report. Accordingly, we work to conclude audits and provide the audit certificate, opinion and report before 30 September immediately following the relevant financial year end. This timeframe is, however, subject to amendment if (a) a council does not provide accounts for audit by the 30 June deadline set by the Regulations for council's approval of the accounting statements, (b) insufficient information is provided by the council to enable the audit to be undertaken and (c) matters arise in the course of the audit that require extensive examination, such as where an elector raises an objection to an item in the accounts. In such cases (a, b and c), we aim to complete the work as soon as is reasonably practicable given the co-operation of the councils concerned.

In the case of the council that does not fall within the definition of "smaller relevant body", the deadlines are as above but with 31 May instead of 30 June and 31 July instead of 30 September respectively.

#### **Questions 4 to 6**

In respect of your remaining questions, I regret that we need further clarification: whether the information you seek is only in respect of town and community councils, or whether it is also in respect of the 22 principal councils, or another set of audits. I realise that our request for clarification of 8 June 2023 should have also covered those questions, and I apologise for that omission.

Yours sincerely,

Head of Law and Ethics

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Further to your clarification of 10 August 2023, I am writing to respond to the remaining three questions in your request for information of 7 June 2023, which, as clarified, are:

4. *How many (in numbers and %) of these [principal council and town and community council] audits have not been completed within the expected time frame?*
5. *What is the projected date for the completion of all the [principal council and town and community council] 2021/22 audits that are being conducted?*
6. *What are the reasons for the delays [in completing the principal council and town and community council 2021/22 audits]?*

[Text in square brackets reflects the clarification that you have provided.]

**4. How many (in numbers and %) of these [principal council and town and community council] audits have not been completed within the expected time frame?**

As at the date of your clarification (27 July 2023), in respect of accounts for 2021-22:

Principal councils, 2 (out of 22), 9%

Town and community councils, 728 (out of 735), 99%

As at the date of your clarification, no audits of accounts for 2022-23, whether of principal councils or town or community councils, were beyond the timeframes set out under question 3 in terms of completion. The information meeting your description in respect of 2022-23 is therefore zero, 0%.

**5. What is the projected date for the completion of all the [principal council and town and community council] 2021/22 audits that are being conducted?**

For the remaining principal council audits for 2021-22, we expect one to be completed by the end of September 2023 and the remaining audit to be concluded later in the autumn of 2023.

In the case of town and community councils, we do not hold recorded information that meets this description. For the reasons detailed below under question 6, it is not possible to give a projected date for completion.

**6. What are the reasons for the delays [in completing the principal council and town and community council 2021/22 audits]?**

For the principal councils, the reason for delay is the need to resolve technical accounting matters, including accounting for property, plant and equipment, and asset valuations.

For town and community councils, the reasons for delay are numerous. The most common specific reason, however, (applying in 457 cases, 62%) is that councils did not provide financial statements for audit by the statutory deadline (30 June 2022). In addition, many councils providing financial statements by the deadline did not provide underlying accounting records and necessary underlying information by the deadline. As audit staff had been scheduled to undertake work in accordance with the statutory timetable, the delayed submission of financial statements and supporting information for audit meant that staff had to be reassigned to other work and were therefore subsequently not instantly available to undertake the audit of late submissions. Furthermore, scarce staff resource had to be applied to request and remind councils to submit required information.

Additional specific causes of delay include delays or absence of council responses to audit questions and queries, additional work required to address concerns raised by electors and other members of the public in relation to particular councils, and in isolated cases a need to allow police investigations to be concluded.

It may be helpful if I also explain that given the total annual expenditure of town and community councils is less than £0.06 billion, while the total annual expenditure of principal councils is some £8.5 billion, we have given the audit of principal councils priority.

Yours sincerely,

Head of Law and Ethics