

Town Clerk's Report 22 June 2021

Annual audit processes and the duties and responsibilities involved

A local authority is responsible for ensuring public money is safeguarded and properly accounted for. It does this by "reporting publicly on arrangements for ensuring its business is conducted in accordance with the law, regulations and proper practices" and, by preparing annual accounts.

The Local Audit and Accountability Act 2014 abolished the Audit Commission and established new arrangements for local public bodies in England. Smaller Authorities Audit Appointments Ltd (SAAA) appointed auditors to all local government smaller authorities subject to the limited assurance regime.

Smaller authorities are defined under the Act as those where, for three years, the higher of gross income or expenditure does not exceed £6.5 million. Smaller authorities are required by law to:

- prepare Accounting Statements for the year ended 31 March;
- approve and publish the Annual Governance and Accountability Return (AGAR), including the Accounting Statements;
- provide for the exercise of public rights and
- publish the AGAR, including the signed external auditor's report.

A council must have a robust system of internal control and effective arrangements for internal audit. Whilst there is no legal requirement for councils to rotate internal auditors, it is good practice to do so. A council must review the effectiveness of that system of internal control each financial year (Regulation 6 of The Accounts and Audit Regulations 2015). It must then report the findings to a full council meeting.

At the approval meeting, the council must consider the findings of the review and approve the annual governance statement 'Section 1' of the AGAR (see attachment A), by Resolution, in advance of approving the accounting statements. The Minute reference is recorded and the annual governance statement signed by the Chairman of the meeting and the Clerk of the meeting.

The responsible financial officer (RFO) must sign and date 'Section 2' before it is presented.¹ The council must then, in the following order, i) consider the Accounting Statements; ii) approve them by Resolution and iii) ensure they are signed and dated by the chairman of the approval meeting and that the Minute reference is recorded.

If a smaller authority had financial transactions in the year, it must make arrangements for the exercise of public rights, during which an authority must make the accounts and supporting records available for inspection (The Local Audit and Accountability Act 2014 sections 26 and 27). Parish councils with an annual turnover in excess of £200,000 should comply with the Local Government Transparency Code 2015.

The council informs the electorate of a single period of 30 working days ("working day" means any day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday in England under the Banking and Financial Dealings Act 1971 - The Accounts and Audit Regulations 2015) during which these rights may be exercised, by publishing, including on the

¹ I have obtained permission from PKF Littlejohn for the temporary clerk to sign in Kevin's absence.

authority's website, the relevant Notice (Notice of Public Rights & Publication of Unaudited Annual Governance & Accountability Return for those councils subject to review) and 'Sections 1 and 2' of the approved AGAR. The inspection period must include the first ten working days of July. This requirement was removed for 2019/20. The Accounts and Audit (Amendment No. 2) Regulations 2021 were made on 10 May 2021 and came into force on 3 June 2021. The effect is to return the law on statutory deadlines for approval and publication of the AGAR to the state it was in prior to the pandemic.

The AGAR and supporting documentation must be submitted to the external auditor (for council's not selected for intermediate review this is – i) the AGAR, ii) confirmation of the dates for the period of exercise of public rights, iii) bank reconciliation, iv) explanation of variances (between previous and current year), v) contact details and vi) annual internal audit report. Also, for those smaller authorities preparing accounts on an income and expenditure basis (exceeding the £200,000 threshold), reconciliation between Boxes 7 and 8 of the AGAR).²

External auditors are required to select a random sample each year of up to 5% of smaller authorities, who would otherwise be subject to basic level review procedures, for intermediate level review procedures. Smaller authorities with gross income or expenditure over £200,000 (but less than £6.5m per annum) are subject to intermediate review procedures.³

Councils that are required to submit an AGAR must publish 'Section 3', external auditor report, and notice of conclusion of audit (Sections 20(2) and 25 of the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015 (SI 2015/234)) on a freely accessible website, no later than 30 September.

Sarah Grimes PSLCC
Town Clerk

22 June 2021

² This applies to BTC.

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