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Llywodraeth Cymru
Welsh Government

Welsh Government
Consultation Document

The Draft Account and Audit (Wales)
(Amendment) Regulations 2016

Date of issue: 14 November 2016
Action required: 06 February 2017

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.

Overview

These draft regulations form part of a final consultation on amendments to the Account and Audit (Wales) Regulations 2014.

The proposed Account and Audit (Wales) (Amendment) Regulations 2016 bring forward the timetable for preparing and publishing statements of accounts of Local Government bodies in Wales. They also propose removing the requirement for pension fund statements to be included in the administering bodies' accounts. A further change to remove the requirement for local government bodies to publish public notices in local newspapers is also proposed.

How to respond

The closing date for responses is 06 February 2017

You can respond to this consultation by completing the Consultation Response Form; or your responses can be returned either:

via email to:

LGFPMail@wales.gsi.gov.uk

or via post to:

Local Government Finance Policy Division
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Further information and related documents

Large print, Braille and alternative language versions of this document are available on request.

Draft regulations are at Annex A.

Contact details

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Data protection

How the views and information you give us will be used

Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about. It may also be seen by other Welsh Government staff to help them plan future consultations.

The Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. This helps to show that the consultation was carried out properly. If you do not want your name or address published, please tell us this in writing when you send your response. We will then blank them out.

Names or addresses we blank out might still get published later, though we do not think this would happen very often. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 allow the public to ask to see information held by many public bodies, including the Welsh Government. This includes information which has not been published. However, the law also allows us to withhold information in some circumstances. If anyone asks to see information we have withheld, we will have to decide whether to release it or not. If someone has asked for their name and address not to be published, that is an important fact we would take into account. However, there might sometimes be important reasons why we would have to reveal someone's name and address, even though they have asked for them not to be published. We would get in touch with the person and ask their views before we finally decided to reveal the information.

Background

The Account and Audit (Wales) Regulations 2014 (the “2014 Regulations”), made under section 39 and 58 of the Public Audit (Wales) Act 2004, provide the regulatory regime underpinning the financial reporting and accounting obligations of local government bodies.

This consultation document outlines proposed amendments to the 2014 Regulations which would bring about changes to the timetable for preparing and publishing local government bodies’ statements of accounts. The amendments also propose changing the requirements around both the publication of pension fund statements, and the display of public notices relating to statements of accounts.

The 2014 Regulations make a distinction between ‘larger relevant bodies’ and ‘smaller relevant bodies’. The proposed amendments outlined in this document will, in most cases, affect larger relevant bodies, ie. a county or county borough council, a fire and rescue authority, a national park authority, a police and crime commissioner or a chief constable (“larger relevant body”). Committees of county or county borough councils, including joint committees (which, providing they meet the qualifying condition, are classified as smaller relevant bodies in the 2014 Regulations¹) will need to comply with the same amended accounting timetable as county and county borough councils.

This consultation document follows an initial informal consultation exercise on the options for bringing forward the timetable for preparing and publishing certain local government bodies’ statements of accounts. Comments received as part of that process have informed the proposals outlined below.

What changes are proposed?

Timetable for Accounts

Currently, the responsible financial officer of a larger relevant body is required to certify that the statement of accounts gives a true and fair view of the financial position of the body at the end of the year to which the statement relates no later than 30 June immediately following that year, and the statement must be published no later than 30 September. The expectation is that the audit of the preceding financial year’s accounts will conclude before 30 September and published statements of accounts will contain the auditors’ opinion and certificate. This expectation is achieved in the majority of cases.

A number of disadvantages with the current statutory timetable have been identified:

- Local government bodies publish their statements of accounts later in the year than most other parts of the public sector.

¹ Regulation 2(1) of the 2014 Regulations

- The accounts of local government bodies constitute a significant component of the UK-wide Whole of Government Accounts² and the current local government timetable is considered to be one of the barriers to HM Treasury bringing forward the publication date of those accounts.
- The equivalent regulations³ which apply to English local government bodies will bring forward the dates for the preparation and publication of statements of accounts of Category 1 Authorities (the equivalent of Welsh larger relevant authorities) for the financial year beginning in April 2017. This will provide further disparity between the timetables for local government bodies in England and Wales.

A further relevant consideration in the proposal to bring forward the timetable for certain local government bodies is the impact this decision would have on Wales Audit Office (the “WAO”) resource planning as it is already obliged to complete audits during the earlier summer months for central government and NHS bodies. A phased approach with a substantial period of advance notice should allow the WAO time to address these concerns and to make adequate provision for the revised timetable through its business planning processes.

The Welsh Government therefore proposes bringing forward the timetable for publishing the statements of accounts of larger relevant bodies, to bring them into line with other parts of the public sector. Bringing forward the timetable would enhance the accountability of authorities and the usefulness of accounts to local residents as statements of accounts would be available on a timelier basis. It would also assist larger relevant bodies’ own financial management by providing earlier assurance of the previous year’s financial outturn. Details of the proposed amended timetable are outlined below.

Pension Fund Accounts

In Wales, there are eight local government pension funds administered by eight county or county borough councils. Larger relevant bodies are currently required to include in their statements of accounts, accounting statements relating to each and every fund to which the body has a statutory duty to keep a separate account⁴. Local government pension fund accounts are therefore currently required to be reported in the administering county or county borough council’s main financial statements (ie. their statements of accounts). This means that pension fund accounts are embedded within the main accounts of certain county or county borough councils but not in others.

To support the streamlining and simplification of local government accounts, it is proposed that the requirement to include in the statement of accounts a statement relating to pension funds administered in accordance with the Local

² Whole of Government Accounts (WGA) consolidates the audited accounts of over 6,000 organisations across the public sector in order to produce a comprehensive, accounts-based picture of the financial position of the UK public sector.

³ The Accounts and Audit Regulations 2015

⁴ Regulation 8(1)(c) of the 2014 Regulations

Government Pension Scheme Regulations 2013 be removed. This will not change the accounting requirements for local government pension funds but it seeks to improve transparency of the administering body's accounts as it will no longer have the pension fund account embedded within its main accounts.

Public notices

Larger relevant bodies are currently required to publish a notice by advertisement in one or more local newspaper circulating in the area of the body concerned stating when their accounts are available for public inspection⁵.

Comments received in the initial informal consultation questioned whether this is a relevant method of communication in today's society where the use of the internet is commonplace. The amended regulations propose removing the requirement to publish a notice in a local newspaper, but maintaining the obligation on larger relevant bodies to display a notice on their websites. This mirrors the requirement for local government bodies in England⁶. The amended regulations include additional provisions which require such notices to be displayed in at least one conspicuous place in the larger relevant body's area, reflecting the existing requirements for smaller relevant bodies⁷ with slightly amended wording which has been introduced in the interests of clarity.

Overview of the specific amendments to the 2014 Regulations

The draft Accounts and Audit (Wales) (Amendment) Regulations 2016 (the "draft 2016 Regulations") are at Annex A. Below is a summary of the proposed changes.

- Regulation 4 exempts from Regulation 8 of the 2014 Regulations, the obligation on a larger relevant body to include in its statement of accounts an accounting statement for pension funds it administers in accordance with the Local Government Pension Scheme Regulations 2013.
- Regulation 5(1)(a) brings forward the final date on which the responsible financial officer must sign and date the statement of accounts of a larger relevant body from 30 June to 31 May following the financial year to which the statement relates.
- Regulation 5(1)(b) brings forward the date that a larger relevant body must consider, approve and publish an audited statement of accounts from 30 September to 31 July following the financial year to which the statement relates.
- To allow sufficient time for larger relevant bodies and the WAO to prepare for these changes, it is proposed that the revised timetable be implemented for the financial year ending on 31 March 2019 for fire

⁵ Regulation 12(1) of the 2014 Regulations

⁶ Regulation 10 (1) of the 2015 Regulations

⁷ Regulation 17(1) of the 2014 Regulations

and rescue authorities, national park authorities, police and crime commissioners and chief constables. For county or county borough councils, it is proposed that the revised timetable be implemented for the financial year ending on 31 March 2021. This is reflected in Regulation 5(2).

- Regulation 5(2) also outlines a proposed interim arrangement for county and county borough councils for the financial years ending on 31 March 2019 and 31 March 2020. For these financial years, the statement of accounts of county and county borough councils would need to be signed and dated by the responsible financial officer by 15 June, with an audited statement of accounts published by 15 September. This interim approach would provide additional flexibility for county and county borough councils to identify and resolve any issues ahead of full implementation. It also seeks to reduce pressure on the audit process during the transition to the earlier timetable.
- Regulations 6 and 7 remove the requirement for larger relevant bodies to give notice of public rights and of conclusion of audit by advertisement in local newspapers. They include an additional provision for such notices to be displayed in at least one conspicuous place in the area of the larger relevant body concerned.
- Regulation 8 relates to smaller relevant bodies and to committees of county or county borough councils (including joint committees) in particular. The draft regulation provides that committees of county or county borough councils (including joint committees) would be obliged to meet the same accounting timetable (including the interim timeframe) as county or county borough councils.
- Regulations 9 and 10 make minor amendments to the 2014 Regulations in the interest of clarity and consistency, by ensuring that the wording used in relation to the location of notices is the same for smaller and larger relevant bodies.
- Similarly, Regulation 11 is made to reflect the change in public notice requirements in Regulations 6 and 7 where the Auditor General for Wales directs that an extraordinary audit be held.