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Llywodraeth Cymru
Welsh Government

Welsh Government Consultation – summary of responses

Summary of responses to the consultation on the draft Account and Audit (Wales) (Amendment) Regulations 2018

January 2018

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

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1. Introduction

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

The Welsh Government launched a consultation to consider amendments to the 2014 Regulations to bring forward the timetable for preparing and publishing statements of accounts of local government bodies in Wales. They also proposed 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 was also proposed

The consultation ran for a twelve week period from 14 November 2016 to 6 February 2017. It was available on the Welsh Government Consultation Portal and was communicated via email to stakeholders distribution list. This included all stakeholders required to be consulted with under section 39 of the 2004 Act

This document provides a summary of the responses to the consultation.

2. Responses to the Consultation

In total, 16 responses were received. Responses were received from the following categories of organisations and individuals.

- Local Authorities – 9
- Community and Town Councils - 4
- Others – 3 (this included the Auditor General for Wales and accounting bodies)

A full list of respondents is provided in Section 4.

The format, level of detail and subject matter of the responses varied and a summary of the main points raised is provided below.

3. Summary of Responses

Question 1: *Do you have any comments on the proposals to bring forward the timetable for publishing the statement of accounts of larger relevant bodies and committees of county and county borough councils?*

The responses were generally favourable to the proposals. Respondents considered the phased introduction would allow suitable time to adjust to the revised timetable. It was noted that an earlier timetable may result in a reliance on estimated costs and sufficient audit resources would need to be available. In 2015 one authority successfully piloted the preparation, audit and publishing of their accounts in line with the new timetable requirement.

One authority commented that bringing forward the timetable may increase the number of non-material misstatements within the audited accounts and that the timetable for publishing should be across the board, whether the body is large or small, for consistency.

Two responses from professional bodies believe that the changes local authorities will need to make to achieve earlier deadlines will enhance their overall financial management systems and will make the financial statements themselves more relevant to readers. It will also bring the local government sector into line with the rest of the Welsh public sector and also with local authorities in England and agreed the phased approach will be helpful.

Welsh Government response

The Regulations to bring forward the timetable will be made as consulted.

Question 2: *Do you agree with the proposal to remove the requirement to include accounting statements for pension funds within the administering authority's statements of accounts?*

Respondents broadly agreed with this proposal, with the following comments -

- The timing of the Pension Scheme accounts will still need to be brought forward as there will be information included within all Statements of Accounts in relation to defined and non-defined benefits and the actuarial information
- Clarification needs to be provided on the timeline and approval requirements of the production of the Local Government Pension Scheme Statement of Accounts and the Annual Report.
- One response asked if the audit regime for the Pension Fund accounts will still be the same or could it be delayed to meet the reporting timetable for the Annual Report, published by 1 December.

Two responses from professional bodies highlighted that the proposal to remove the requirement to include pension funds' accounting statements from administering authorities' accounts may have an un-intended consequence of removing the requirement for pension fund accounts to be subject to audit. This would result in a different approach being taken from that adopted in England and Scotland.

The responses commented it is vital that the financial statements of the local authority pension funds are subject to full audit assurance and a separate audit opinion. The bodies suggested that a new legislative mechanism may be required to ensure that the Pension Fund Financial Statements in the Pension Fund Annual Report be subject to audit by the Auditor General for Wales with a separate audit opinion.

Welsh Government response

The Welsh Government has considered and noted the concerns raised during the consultation.

The Welsh Government is of the view that removing the pension fund accounts from the statement of accounts and making the pension fund annual report the primary reporting route for the pension fund accounts would:

- eliminate duplicate reporting between the single entity accounts and the pension fund;
- reflect the wider accountability of the pension fund to its membership, beyond that of the administering authority;
- be consistent with pension fund reporting within the Scottish LGPS and the private sector where the annual report is the sole reporting route for the pension fund accounts;

The Welsh Government considers that the pension fund will continue to be required to be adequately accounted and audited for. The Welsh Government will consider providing clarity in guidance in relation to this matter.

Question 3: *In relation to the obligation to publish a notice by advertisement, do you agree with the proposal to replace the requirement for larger relevant bodies to publish such a notice in one or more local newspaper with a requirement to display a notice in at least one conspicuous place in the larger relevant body's area?*

The majority of respondents support this proposal. One disagreed with the need to display the notice in one/more prominent place as the majority of individuals gain access via the Internet.

One town council did not support the proposal. They consider that local newspapers have an important role in local community believe it is important to support local business.

One response considered it appropriate for the notice to be placed on larger relevant bodies' websites and a copy placed in at least one conspicuous place.

Welsh Government response

The Regulations to replace the requirement to publish notices in a local newspaper will be made as consulted upon.

Other Comments

One response suggested that a result of the increased use of Freedom of Information requests during the year could the 20 day period for members of the public to inspect the accounts be reduced.

One response suggested an amendment to the wording to Regulation 28(1) of the 2014 Regulations that relates to extraordinary audit. They suggest removing the reference to the Auditor General for Wales directing an auditor to hold an extraordinary audit. To be replaced with the Auditor General for Wales holds an extraordinary audit, which reflects, more accurately that the AGW carries out an extraordinary audit as the statutory auditor of local government bodies.

Welsh Government response

The Welsh Government considers that the right of electors to access the statement of accounts is a long-established and beneficial principle. However, we note that there are many more mechanisms now by which the electorate can inspect and hold local public bodies to account. We therefore intend to consider the rights of public inspection as part of a future consideration once the new timetables are embedded.

The Welsh Government agrees with the suggested amendment which will reflect more accurately the role of the AGW holding an extraordinary audit. The regulations will be amended accordingly.

4. List of Respondents

Responses were received from the following organisations.

Local Authorities

Bridgend County Borough Council
Gwynedd Council
Monmouthshire County Council
Neath Port Talbot County Borough Council
Powys County Council
Pembrokeshire County Council
Rhondda Cynon Taff County Borough Council
Torfaen County Borough Council
Wrexham County Borough Council

Town and Community Councils

Abergele Town Council
Langstone Community Council
Nantyglo & Blaina Town Council
Penarth Town Council

Others

Natural Resources Wales
Wales Audit Office
The Chartered Institute of Public Finance and Accountability

5. Next Steps

The Welsh Government is grateful to all those that responded to the consultation.

The Welsh Government plans to revise and lay the regulations with a view to them coming into force in time for the 2017-18 financial year.