



Llywodraeth Cymru
Welsh Government

Welsh Government

Invitation to Comment

Proposed changes to the Accounts and Audit (Wales)
Regulations 2014

Date of issue: **04 September 2015**

Responses by: **27 November 2015**

Overview

This paper seeks your views on proposed changes to the Accounts and Audit (Wales) regulations 2014 in order to bring forward the timetable for preparing and publishing the accounts of Local Government bodies in Wales.

How to respond

The closing date for responses is 27 November 2015. You can respond in any of the following ways:

Email:

LGFPMail@wales.gsi.gov.uk

Post:

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

Contact details

For further information:

Email: LGFPMail@wales.gsi.gov.uk:

Telephone: Amanda Whittle on 02920823619

Contents

Accounts and Audit Wales Regulations 2014	4
Background.....	4
What does the invitation to comment cover?.....	4
Current position.....	4
Policy considerations and options.....	6
Policy Proposals	8
Summary.....	8

Accounts and Audit Wales Regulations 2014

Background

1. Section 39 of the Public Audit (Wales) Act 2004 provides that the Welsh Ministers may, by regulations, make provision with respect to the keeping of accounts and statements of accounts of Local Government bodies.
2. The Accounts and Audit (Wales) Regulations 2014 have been made under sections 39 and 58 of the Public Audit (Wales) Act 2004 and provide the regulatory regime underpinning Local Government bodies' financial reporting and accounting; and in particular, they make provision with regard to the preparation and publication of statements of accounts.
3. The Regulations make a distinction between "larger relevant bodies" and "smaller relevant bodies". A larger relevant body means a county or county borough council, a fire and rescue authority, a national park authority, a police and crime commissioner, a chief constable or one of the following bodies if their gross income or gross expenditure exceeds £2,500,000: a community council, a committee of a county or county borough council, a port health authority, an internal drainage board or a conservation board.

What does the invitation to comment cover?

4. This invitation to comment seeks views on proposed options for bringing forward the timetable for preparing and publishing the accounts of local government bodies in Wales. The changes will apply to larger relevant bodies only but there would need to be careful consideration for committees of county or county borough councils.

Current position

5. Regulation 10 of the current Regulations sets out the process for the production of statements of accounts. The responsible financial officer of a larger relevant body (i.e. a county or county borough council, a fire and rescue authority, a national park authority, a police and crime commissioner or a chief constable) is required to certify that the statement gives a true and fair view no later than 30 June, and the statement must be published no later than 30 September.

6. The expectation is that the audit will conclude before 30 September and published statements contain the auditors' opinion and certificate. This is achieved in the majority of cases.
7. This timetable means that Local Government bodies publish their audited accounts later than most other parts of the public sector. NHS bodies in Wales are required to submit their audited accounts to the Welsh Government by early June. Most Government Departments are expected to lay their audited accounts before the summer recess (generally mid to late July). The Welsh Government audited consolidated accounts are normally laid in July.
8. The disparity between the timetables for Local Government and other parts of the public sector does warrant a reconsideration of the current dates but the complexity and length of Local Government accounts in comparison to other public bodies should be taken into account. A project being undertaken by the Chartered Institute of Public Finance and Accountancy, which supports initiatives to simplify and streamline the accounts and make them easier for local people to understand, may go some way towards addressing this in the longer term.
9. Local Government bodies are also a significant component of the UK-wide Whole of Government Accounts (WGA), and the current Local Government timetable is considered to be one of the barriers to bringing forward the publication date of those accounts.
10. The Accounts and Audit Regulations 2015 were laid before UK Parliament on 17 February 2015 and came into force on 1 April 2015. They apply to English Local Government bodies only and 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 2017.
11. This will provide further disparity between the timetables for Local Government bodies in England and Wales.

Policy considerations and options

12. There is no doubt that earlier publication would enhance authority's accountability to local residents, and assist their own financial management by providing earlier assurance on the previous year's financial outturn. However, the additional work involved needs to be considered in the context of the wider Local Government Reform Agenda.
13. Another relevant consideration is the impact on the Wales Audit Office (WAO) resources to meet demand during the earlier summer months when audits for central government bodies and NHS bodies are currently completed. A sufficient period of notice however should allow the WAO time to address this through its business planning process.
14. For certain Local Government bodies in Wales, the implications of the Local Government reform programme are a further consideration for the preparation and publication of accounts.
15. Therefore, whilst in principle it would be helpful to bring forward the timetable as soon as possible, for the purposes of accelerating the production of the Whole of Government Accounts and improving Local Government accountability, in practicable terms it may not be the appropriate time for all Local Government bodies in Wales.

Option 1 - Implement earlier timetable from 2018-19

16. This will provide Local Government bodies in Wales with the same period of notification given to English Local Government bodies of a change in the timetable. It is acknowledged that such changes will involve substantial effort initially in developing systems to facilitate earlier closure but giving three to four years' notice of the change provides bodies and auditors with a reasonable timescale to adjust.
17. However, this timescale would be during a period of considerable change in Local Authorities. Mergers will inevitably result in substantial rationalisation of finance departments and it could be argued that to require changes to the systems and processes of all existing authorities ahead of mergers would not be a good use of their limited resources.
18. That said Local Authority mergers will not significantly impact on the financial arrangements of fire and rescue authorities, police and crime commissioners,

chief constables and national park authorities. Therefore implementing the changes within this timescale could be a feasible option for these Local Government bodies.

Option 2 - Implement earlier timetable on a phased approach with the aim of bringing forward the new timetable fully for the newly merged authorities

19. Over the next five years, Local Authorities in Wales will be focussed on implementing the reform agenda and therefore now would not be an appropriate time to bring forward the timetable. As set out above changes to systems and processes in all of the existing Authorities may not be good use of their limited resources.
20. Although it is accepted that it may not be an appropriate time to bring forward the timetable for the preparation of the accounts until the newly merged authorities have been formed, the publication and audit could be brought forward one month to 31 August during this transition period.
21. Based on the period of notification Local Authorities would expect for such a change, this option would bring forward the date of publication to 31 August as from the financial year beginning in 2018 for the 22 existing county and county borough councils.
22. Although this option would also result in disparity between the timetables of English Local Authorities and other Local Government bodies in Wales, it will be by only a month for both the preparation and publication timescales.
23. The intention is that all county and county borough councils in Wales would meet the preparation and publication deadlines of 31 May and 31 July respectively for statements of accounts relating to the 2020-21 financial year, the first full year of newly merged authorities.

Smaller Relevant Bodies

24. There are no immediate plans to bring forward the dates for smaller relevant bodies in Wales. These include community and town councils, port health authorities, internal drainage boards and conservation boards.
25. However for committees of county or county borough councils, although defined as smaller relevant bodies, they will be consolidated into the local authority's account they serve and therefore will need to meet the same timescales.

Policy Proposals

26. The Welsh Government proposes to implement option 1 for earlier preparation and publication from 30 June and 30 September to 31 May and 31 July respectively as from the accounts of 2018-19 for the following local government bodies in Wales;
- Fire & Rescue Authorities
 - Police & crime commissioners
 - Chief constables
 - National Park Authorities
27. The Welsh Government proposes to implement option 2 for earlier timetable for the existing 22 county and county borough councils from 30 September to 31 August for **the publication** of the statement of accounts of 2018-19 and 2019-20.
28. The Welsh Government proposes for the statement of accounts relating to the newly merged authorities in 2020-21, the preparation and publication deadlines would be brought forward to 31 May and 31 July.
29. No change is proposed in the timetable for smaller relevant bodies other than committees of a county or county borough council which will be required to meet the same timetable as the consolidating body.

Summary

30. The options proposed would have a substantial impact on the use of resource by the Wales Audit Office as, from 2018-19, the timescales for completing audits would be reduced from three to two months. For that year, the audits for the Police and Crime Commissioners, Chief Constables, Fire and Rescue Authorities and National Park Authorities will take place within the same period as the Central Government (e.g. WSGBs) and NHS bodies in Wales, i.e. June and July with the 22 existing county and county borough councils being completed during July and August.
31. These options go some way towards meeting the demands of HM Treasury as only 22 Local Authorities out of all the public bodies included in the Whole of Government Accounts would not be audited in time for submission by 31 July but would be available one month later. In any event, some of these authorities may choose to close their accounts by the earlier deadline.

Question 1:

Do you have any comments on the proposed approach to accelerating the local government accounts timetable detailed as set out in paragraph 32?
