

Explanatory Memorandum to the Accounts and Audit (Wales) (Amendment) Regulations 2018

This Explanatory Memorandum has been prepared by the Local Government Finance Policy Division and is laid before the National Assembly for Wales in accordance with Standing Order 27.1.

Cabinet Secretary's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Accounts and Audit (Wales) (Amendment) Regulations 2018.

Alun Davies

Cabinet Secretary for Local Government and Public Services

29 January 2018

i. **Description**

The Accounts and Audit (Wales) (Amendment) Regulations 2018 (“the 2018 Regulations”) amend existing Regulations, the Accounts and Audit (Wales) Regulations 2014 (“the 2014 Regulations”).

The 2018 Regulations make changes to the timetable for preparing and publishing local government bodies’ statements of accounts. The amendments also change the requirements around both the publication of pension fund statements, and the display of public notices relating to statements of accounts.

ii. **Matters of special interest to the Subordinate Legislation Committee**

None.

iii. **Legislative Background**

Sections 39 and 58 of the Public Audit (Wales) Act 2004 (“the 2004 Act”) conferred powers on the National Assembly for Wales to make regulations in relation to the accounts and audit of local government bodies in Wales. Those powers are now vested in the Welsh Ministers by virtue of paragraph 30 of Schedule 11 to the Government of Wales Act 2006.

The 2018 Regulations are subject to the negative resolution procedure.

iv. **Purpose and intended effect of the legislation**

The 2014 Regulations set the regulatory accounting and audit framework for local government bodies¹ in Wales. These revoked and replaced the Account and Audit (Wales) 2005 Regulations under which a similar framework existed. They cover responsibilities for the control and effectiveness for financial management of a body; governance arrangements; preparation of accounting statements; signing and approval of accounts and interaction with the public as regards making available documents via publication or inspection.

The 2018 Regulations make some important changes, alongside some minor technical amendments and remove or tidy up redundant references:-

- Bring forward the timetable for publishing the statements of accounts of larger relevant bodies,² 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

¹ Defined in Section 12 of the 2004 Act

² Defined in part 1 of the 2014 Regulations

basis. It would also assist larger relevant bodies' own financial management by providing earlier assurance of the previous year's financial outturn. In order to assist authorities and auditors the changes will be made incrementally over the next four years. The phased approach for each body is set out in the annex A attached.

- To support the streamlining and simplification of local government accounts, the requirement to include in the statement of accounts a statement relating to pension funds administered in accordance with the Local Government Pension Scheme Regulations 2013 has been removed. This will not change the accounting requirements for local government pension funds – they will continue to need to be accounted and audited for. The amendments will improve transparency of the administering body's accounts as it will no longer have the pension fund account embedded within its main accounts.
- 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 England. The 2018 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 bodies with slightly amended wording which has been introduced in the interests of clarity.

v. **Implementation.**

The 2018 Regulations come into force on 14 March 2018 and will affect the completion of statement of accounts from 2017-18 onwards as set out in Annex A.

vi. **Consultation**

Under section 39(2), before making the 2018 Regulations, the Welsh Ministers must consult with the Auditor General for Wales, any associations of local authorities in Wales which are concerned and any body of accountants which are appropriate.

Appropriate stakeholders were invited to comment on the proposed 2017 Regulations. 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 (including the Auditor General for Wales and the Chartered Institute of Public Finance and Accounting)

A summary of the responses can be found at

<https://consultations.gov.wales/consultations/draft-account-and-audit-wales-amendment-regulations-2016>

vii. **Regulatory Impact Assessment (RIA)**

A regulatory impact assessment has not been produced for this instrument as the 2018 Regulations do not create an additional regulatory burden. No impact on business, charities or the voluntary sector is foreseen.

viii. **Post implementation review**

The current regulatory framework has been in place since April 2005. Since that time the effectiveness of the system in place has been kept under regular review by Welsh Government officials and in regular formal and informal situations with interested stakeholders, examples being local authorities, Welsh Local Government Association, Wales Audit Office and One Voice Wales. This will continue under the new framework.

ix. **Summary**

The 2018 Regulations have provided an opportunity to review, update and consolidate the framework and processes for accounting and auditing in Welsh local government bodies. The main changes made should help to enhance the accountability of authorities to local residents, and assist their own financial management by providing earlier assurance on the previous year's financial outturn.

Annex A

	Accounts	2017-18	2018-19	2019-20	2020-21
22 county and county borough councils	Prepare	30 June	15 June	15 June	31 May
	Publish	30 Sept	15 Sept	15 Sept	31 July
Fire & Rescue PCC Chief Constable National Park	Prepare	30 June	31 May	31 May	31 May
	Publish	30 Sept	31 July	31 July	31 July
Smaller Relevant Bodies	Prepare	30 June	Unchanged		
	Publish	30 Sept	Unchanged		