

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **AUDIT COMMITTEE**

DATE: **TUESDAY, 17 JULY 2012**

REPORT BY: **HEAD OF LEGAL AND DEMOCRATIC SERVICES**

SUBJECT: **STATUTORY GUIDANCE ON THE LOCAL
GOVERNMENT (WALES) MEASURE 2011**

1.00 PURPOSE OF REPORT

1.01 To inform the committee of the recently issued statutory guidance insofar as it relates to the work of the committee.

2.00 BACKGROUND

2.01 At its meeting on the 26 March 2012 the committee considered a report on the draft guidance that the Welsh Government was consulting upon. The Democracy & Governance Manager was subsequently authorised to respond to the consultation by the Constitution Committee. A copy of that response to the consultation is attached as appendix 1.

2.02 At the end of April 2012 the Welsh Government implemented those provisions of the Measure that the draft guidance related to. It did not however, issue the final version of the guidance until 25 June 2012 some 8 weeks later.

2.03 Copies of this statutory guidance have been placed in the Members' library and in the group rooms. There will be separate reports to the Constitution and Democratic Services Committees at their meetings on 24 July.

3.00 CONSIDERATIONS

3.01 Chapter 9 of the guidance relates to Audit Committees. Sections 81 to 87 of the Measure require Councils such as Flintshire to appoint an Audit Committee with the following functions:-

- Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs.
- Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements.
- Oversee the authority's audit arrangements and review its financial statements.

- 3.02 At its meeting on 19 June the County Council considered the Monitoring Officer's report on constitutional changes and agreed amended terms of reference for the committee to cover the above.
- 3.03 The Measure also requires that at least one lay member be appointed to the committee up to a maximum of a third of the committee's membership. Pursuant to the committee's previous decision one lay member, Mr Paul Williams, has been appointed following public notice of the vacancy.
- 3.04 In the representations the Council made on the draft guidance, points 9 through to and including 14 of appendix 1 related to the chapter on Audit Committees.
- 3.05 Point 9 made representations that the provisions in the Measure should not be implemented until approximately two months after the final guidance has been issued. The Welsh Government decided to implement these provisions approximately two months before issuing the final guidance. In order to ensure the Council could operate a lawful Audit Committee, it took steps to recruit the lay person without the benefit of the final guidance. Fortunately there is nothing in the final guidance that invalidates the appointment of Mr Williams as the lay person.
- 3.06 Point 10 of the representations sought clarification on the role of the Audit Committee in relation to financial affairs of the Council and how this differed to the ongoing role of Overview & Scrutiny. This has been addressed in part in paragraph 9.13 of the statutory guidance which was not in the draft guidance. It provides that local authorities should make their own arrangements to provide for clear demarcation between the role of an Audit Committee and that of a relevant Overview & Scrutiny Committee. In Flintshire the existing demarcation can continue. The Audit Committee to seek assurance that the budgetary control systems are working with Overview & Scrutiny considering the actual spend.
- 3.07 Point 11 of the representations made on the draft guidance criticised the reference to separate documents issued by CIPFA which were recognised as being somewhat dated and the Council was of the view that the final guidance should not refer to such separate documents but include the relevant parts of them in the final guidance. There has been no change to these parts of the draft guidance. Flintshire does comply with the CIPFA guidance.
- 3.08 Point 12 of the representations previously made was indicating that it was too prescriptive that the Audit Committee should be provided with all copies of auditors reports. This point has been addressed in part in paragraph 9.16 to allow the committee to receive "the summary finding if felt more appropriate" rather than all copies of auditor's reports.

- 3.09 Point 13 of the representations previously made was recommending that it should be left to the local choice of individual authorities as to the extent to which reports from regulators and inspectors are considered by the Audit Committee rather than by the appropriate Overview & Scrutiny Committee. There has been no change on this in the final guidance other than that it is now paragraph 9.20.
- 3.10 Point 14 made, in response to the consultation, was to seek clarification on paragraph 9.23 where it refers to reports and recommendations by the Audit Committee being considered by full Council in particular, as well as the Cabinet. This remains the position in the statutory guidance.
- 3.11 Paragraph 9.24 of the statutory guidance remains the same as in the draft guidance when it had been understood that this would be changed as the Welsh Government appreciated it could not change section 15 of the Local Government & Housing Act 1989 without amending legislation. Until any such amending legislation the Audit Committee is still subject to political balance as required under the Local Government & Housing Act 1989.
- 3.12 The statutory guidance has clarified in paragraph 9.21 the reference to financial statements making clear that the committee should consider and comment on the authority's 'certified draft' financial statements.
- 3.13 Paragraph 9.27 of statutory guidance is different to the draft in that it now allows the appointment of lay members whose political allegiances are well-known when the draft guidance did not. It also now limits the length of time that the lay member can be appointed to sit on the Audit Committee to no more than two full terms of a local authority. In making the appointment of Mr Williams the Council has done so for the current term of the authority.

4.00 RECOMMENDATIONS

- 4.01 To note the provisions in the statutory guidance relating to Audit Committees.

5.00 FINANCIAL IMPLICATIONS

- 5.01 None as a result of this report.

6.00 ANTI POVERTY IMPACT

- 6.01 None as a result of this report.

7.00 ENVIRONMENTAL IMPACT

7.01 None as a result of this report.

8.00 EQUALITIES IMPACT

8.01 None as a result of this report.

9.00 PERSONNEL IMPLICATIONS

9.01 None as a result of this report.

10.00 CONSULTATION REQUIRED

10.01 None as a result of this report.

11.00 CONSULTATION UNDERTAKEN

11.01 None as a result of this report.

12.00 APPENDICES

12.01 Appendix 1 - Response to consultation

**LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS**

Statutory Guidance on the Local Government (Wales) Measure 2011

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