

COMMITTEE	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
DATE	<b>27 MAY 2021</b>
TITLE	<b>FUNCTIONS OF THE AUDIT AND GOVERNANCE COMMITTEE</b>
PURPOSE OF REPORT	<b>TO PRESENT THE NEW DRAFT OPERATIONAL ARRANGEMENTS TO THE COMMITTEE FOR CONSIDERATION</b>
AUTHOR	<b>DEWI MORGAN, ASSISTANT HEAD OF FINANCE (REVENUES AND RISK)</b>
ACTION	<b>TO COMMENT ON THE CONTENTS AND ADOPT THE NEW ARRANGEMENTS</b>

---

## **1. GWYNEDD COUNCIL'S AUDIT AND GOVERNANCE COMMITTEE**

- 1.1 Since Gwynedd Council's Audit Committee was established in 1999, its role has evolved to reflect the statutory requirements on local authorities as well as changes in the Council's internal administrative arrangements.
- 1.2 As a matter of course, the Audit and Governance Committee considers and adopts Operational Arrangements at its first meeting of a new council after an election. The current version of the Operational Arrangements was adopted by the Audit and Governance Committee at its meeting on 6 June 2017.
- 1.3 Occasionally however changes in internal arrangements or legislation will mean that these Operating Arrangements need to be adapted at other times.
- 1.4 The Local Government and Elections (Wales) Act 2021 places new requirements on local authority governance and audit committees, and makes modifications to the relevant parts of the Local Government (Wales) Measure 2011. A number of the main changes will take effect after the Council elections in 2022 and the Monitoring Officer will present a further paper to the Committee explaining these changes in full.
- 1.5 A draft of the Operational Arrangements for the period following the 2022 election, which will include a number of fundamental adjustments to reflect the new legislative requirements, will be presented to the Committee in 2022 but in the meantime modifications are introduced to the Arrangements which are necessary for dealing with the 2020/21 accounts of the Gwynedd Pension Fund.

## **2 THE PENSION FUND'S FINANCIAL AFFAIRS**

- 2.1 Whilst reviewing the governance arrangements of the Gwynedd Pension Fund, consideration has been given to the question of whether it is Gwynedd Council's Audit and Governance Committee that should be receiving and approving statements of accounts for the pension fund, or the Pensions Committee.
- 2.2 Although the 2011 Measure gives the Council the right to impose any suitable functions on the Committee (and it is for the Committee itself to decide how to exercise its functions), the Measure also sets out functions that the Committee must exercise.
- 2.3 For several years, the Audit and Governance Committee has been receiving and approving the accounts of Gwynedd Council and the Gwynedd Pension Fund, as part of its role as "those charged with governance". In accordance with Section 81 of the Local Government (Wales) Measure 2011, one of the statutory roles that the Committee must undertake is ***to review and scrutinise the authority's financial affairs.***

- 2.4 In accordance with the Local Government Pension Scheme Regulations 2013, Gwynedd Council is an "administering authority" on behalf of the Gwynedd Pension Fund, and in accordance with the Council's Constitution the function relating to local government pensions etc. by virtue of Regulations under section 7, 12 or 24 of the Superannuation Act 1972 (which includes the 2013 Regulations), is a matter delegated to the Pensions Committee.
- 2.5 Gwynedd Council's responsibility as an "administering authority" in accordance with the Local Government Pension Scheme Regulations 2013 has been delegated to the Pensions Committee; this is the Committee responsible for governing the financial affairs of the Pension Fund.
- 2.6 This is supported by the Good Governance proposals in the report of the Local Government Pension Scheme Advisory Board, **Good Governance: Phase 3 Report to SAB**, which states: "Each administering authority must ensure their committee is included in the business planning process" (Recommendation E.4).  
<https://lgpsboard.org/images/Other/Annex to Good Governance letter 110221.pdf>  
<https://lgpsboard.org/images/Other/Good Governance Final Report February 2021.pdf>
- 2.7 To this end, the Pensions Committee has approved the budgets of the fund for 2020/21 (in January 2020) and 2021/22 (in January 2021), and approving the final accounts would close the 'business' cycle.
- 2.8 Further, Regulation 8 of the Accounts and Audit (Wales) Regulations 2014, which relates to the statements of accounts of larger relevant bodies (such as Gwynedd Council), was modified by the Accounts and Audit (Wales) (Amendment) Regulations 2018. This amendment removes the requirement for county or county borough councils to include, in their statement of accounts, the accounts for pension funds administered in accordance with the Local Government Pension Scheme Regulations 2013. This is effective from the accounts for 2017/18 onwards.
- 2.9 Having considered the latest legislation and regulations, therefore, and reviewed the governance arrangements as a result, it seems increasingly clear that the Pensions Committee, and not the Audit and Governance Committee, is the appropriate body to accept and approve statements of accounts for the Gwynedd Pension Fund. Not only has the legal requirement for them to be included with the Council's accounts been abolished, but the professional board advising Local Government Pension Schemes also recommends that the Pensions Committee should consider the accounts.
- 2.10 There is no inconsistency here with Section 81 of the 2011 Measure as the financial affairs of the Pension Fund are not part of Gwynedd Council's financial affairs – the funds of the two entities are completely separate from each other.
- 2.11 The Head of Finance will submit a corresponding report to the Pensions Committee.

### **3. CHANGES TO THE AUDIT AND GOVERNANCE COMMITTEE'S OPERATIONAL ARRANGEMENTS**

- 3.1 The new draft Operational Arrangements are attached as an Appendix. These operational arrangements remain consistent with the requirements of the Local Government Measure, Statutory Guidance prepared to support it and the Council's Constitution. The relevant parts of the Measure and Guidance are also included.
- 3.2 It is emphasised that this is a provisional version for the 2021/22 financial year and the 2020/21 statements of accounts, as not all the modifications introduced into the Committee's activities in accordance with the Local Government and Elections (Wales) Act 2021 have yet come into force.
- 3.3 The changes to this version (May 2021) to the version being replaced (June 2017) are to modify the following clauses:

Previous version	Proposed version
2.2.18 As a matter of course, the Committee will receive an annual report from the Financial Auditors on the Statements of Accounts for Gwynedd Council and Gwynedd Pension Fund.	2.2.18 As a matter of course, the Audit and Governance Committee will receive an annual report from the Financial Auditors on the Statements of Accounts for Gwynedd Council.
2.3.4 The Committee will receive the external auditor's work plan on the Accounts of the Council and Gwynedd Pension Fund.	2.3.4 The Audit and Governance Committee will receive the external auditor's work plan on the Accounts of the Council.
2.4.2 The Committee will receive the financial reports subject to audit during July every year, after they have been certified by the Head of Finance, including the financial statements of Gwynedd Pension Fund	2.4.2 The Audit and Governance Committee will receive Gwynedd Council's Statements of Accounts, once certified by the Head of Finance but subject to audit, before the end of July 2021, when there will be an opportunity to challenge their content.
2.4.3 It will receive the final financial statements before 30 September in each year, and will challenge their contents	2.4.3 The Audit and Governance Committee will receive the final post-audit version of Gwynedd Council's Statements of Accounts before the end of November 2021, and an opportunity to challenge the content of the relevant report by the external auditors, Audit Wales.

### **4. RECOMMENDATION**

- 4.1 The Audit and Governance Committee is asked to consider the contents of the Appendix, comment on its content and approve the modifications to the Operational Arrangements.