



Committee and Date

Council

24 September 2015

10.00am

Item

13

Public

FINANCIAL RULES UPDATE

Responsible Officer James Walton

e-mail: James.walton@shropshire.gov.uk

Telephone: 01743 255011

1. Summary

This report proposes refinement of and revisions to the Council's Financial Rules located in Part 4 of the Constitution. The Rules require updating to reflect the requirements of the Accounts and Audit Regulations 2015, Internal Audit requirements in line with the Public Sector Internal Audit Standards (PSIAS), the introduction of a Pensions Board and minor changes around systems and roles.

2. Recommendations

Members are asked to consider and endorse, with appropriate comment, the proposed adjustments to the current Financial Rules as set out in **Appendix A** of this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 With the changes proposed by the Accounts and Audit Regulations and those introduced by the PSIAS it is important that the Financial Rules reflect current legislation providing clarity for their application for both member and officer interactions.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015. There are no direct environmental, equalities or climate change consequences of this proposal.

4. Financial Implications

- 4.1 There are no direct financial implications.

5. Background

- 5.1 The new Accounts and Audit Regulations 2015 for local authorities in England, came into effect on 1 April 2015 and apply from the financial year 2015/16. The regulations are a statutory instrument made by the Secretary of State for Communities and Local Government and are mandatory for the bodies affected.
- 5.2 From April 2015 the key changes include: the existing requirement to have internal audit has been amended to undertake an effective internal audit 'to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance': There are some changes to the access rights of internal audit requiring the organisation to supply internal audit with the documents, records and information and explanations as are considered necessary by the internal auditors: Organisations are no longer required to undertake an annual review of effectiveness, however audit committees should note the requirements of the Public Sector Internal Audit Standards (PSIAS) to have an ongoing programme of quality assessment and improvement: There is a new requirement for a narrative statement that includes 'comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year'. This applies to the 2015/16 accounts.
- 5.3 From April 2017 the key changes include: the responsible financial officer will need to sign off the accounts by 31 May in advance of the public inspection at the beginning of June: The annual governance statement and the accounts must be approved by the appropriate body or committee by 31 July at the latest, at which point they should be published: The external audit should also be complete and the audit opinion published by 31 July or 'as soon as reasonably practicable'.
- 5.4 Requirements of the Public Sector Internal Audit Standards (PSIAS) have also been considered and reflected in the rules, including: the Audit Service Manager's independence and access rights; the need for the team to comply with the PSIAS, the Definition of Internal Auditing, the Code of Ethics and other relevant guidance as set out in the Internal Audit Charter; and the planning and reporting responsibilities of the Audit Service Manager.
- 5.5 The Council, in compliance with requirements imposed in relation to the Local Government Pension Scheme by The Pensions Regulator, has established a Pension Board responsible for the oversight of the effective and efficient governance and administration of the Fund and this has been reflected in the rules.
- 5.6 Minor changes are identified in the attached rules to reflect adjustments to operational systems, practices, processes, some roles and responsibilities along with the occasional officer title. In addition, the original Appendix F has been removed, the Range of Council Services; since these are forever changing and will continue to.
- 5.7 These requirements, where applicable, have been used to update the Financial Rules and the proposed changes are reflected in **bold type and underlined** in **Appendix A**.

List of Background Papers (This MUST be completed for all reports, but does

not include items containing exempt or confidential information)

Accounts and Audit Regulations 2015
PSIAS

Cabinet Member (Portfolio Holder)
Keith Barrow, Leader of the Council

Local Member: All

Appendices: A – Financial Rules