

HAMPSHIRE COUNTY COUNCIL**Report**

Committee/Panel:	Audit Committee
Date:	31 March 2011
Title:	Revised Accounts and Audit Regulations 2011
Reference:	2720
Report From:	County Treasurer

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1. Summary

- 1.1. This report advises the Audit Committee of the main changes proposed in the revised Accounts and Audit Regulations 2011 coming into force from 31 March 2011. Of most relevance to this committee is the proposal to remove the current requirement for members to approve the annual accounts by 30 June following the financial year end and instead require the responsible financial officer to certify the accounts no later than 30 June and approval by members will take place after the review by external audit and no later than 30 September.

2. Contextual information

- 2.1. The Accounts and Audit Regulations contain important provisions on financial management, annual accounts and audit procedures affecting all local authorities and a number of other local public bodies. The 2003 Regulations have been substantially amended in 2006, twice in 2009 and in 2011 further amendments and a consolidation of all the amendments have been the subject of a consultation period that ended on 4 March 2011. The County Treasurer has responded to the consultation supporting all the proposals.

3. Proposed changes to the Regulations

Approval and publication of the accounts

- 3.1. The current regulations require members to approve the annual accounts before they have been reviewed by the external auditor. This is out of step with requirements in the private sector and elsewhere in the public sector, where directors or board members will be aware of the findings of the audit before they approve the accounts. The revised regulations include the

following provisions on the procedure for approval and publication of the annual accounts:

- no later than 30 June following the financial year end, the responsible financial officer must certify that the accounts present a true and fair view of the financial position of the authority
 - the annual accounts must be approved by members and published with the audit opinion and certificate and the authority must use its best endeavours to secure approval and publication by no later than 30 September
 - the responsible finance officer must re-certify the presentation of the annual accounts before member approval is given.
- 3.2. One consequence of the removal of the need for member approval before 30 June is that officers will have a little more time, right up to 30 June, in order to prepare the accounts. Given the significant changes arising from the implementation of the international financial reporting standards (IFRS) from 2010/11, this additional time is welcomed. Once the accounts are certified by the County Treasurer no later than 30 June, they will be available for review by members. However, formal approval is not required until September to take account of any comments from the external auditor.
- 3.3. There are no changes proposed to the statutory procedure for public inspection of the accounts. This is for a period of 20 working days before the date appointed by the auditor. In recent years, this has taken place during July.

Remuneration reporting

- 3.4. The 2009 amendments to the regulations introduced new requirements on the disclosure of the remuneration of senior employees and this was published in the 2009/10 accounts with comparative data for 2008/09. The 2011 amendment merely clarifies the definition of remuneration rather than changes it.

Contravention of the regulations

- 3.5. Currently contravention of the regulations without reasonable excuse is a criminal offence. This is to be removed for the future in line with the Government's policy of abolishing obsolete or unnecessary criminal offences.

Smaller relevant bodies

- 3.6. Smaller relevant bodies are permitted by the regulations to prepare simpler published accounts than the larger bodies and are also subject to less demanding procedural requirements. Currently a smaller body is one whose gross income or expenditure (whichever is higher) is less than £1m in the year of account or in either of the two preceding years. It is now proposed to raise the threshold to £6.5m based on the Companies Act threshold for small companies, but to exclude all bodies defined as a local authority for the purposes of Part 1 of the Local Government Act 2003. Thus, national park authorities, for example would need to comply with the regulations for larger bodies even if they were below the £6.5m threshold.

4. Conclusion

4.1. The proposed amendments to the Accounts and Audit Regulations and the consolidation of these and all previous amendments into a single document are welcome as they provide:

- additional time for the preparation and review of the accounts
- improved clarity to facilitate interpretation and thus implementation of the regulations
- relief from criminal penalties in the event of contravention of the regulations
- a reduced burden for smaller bodies up to the £6.5m threshold for gross income or expenditure.

5. Recommendation

5.1. That the proposed changes to The Accounts and Audit Regulations 2011, coming into force on 31 March 2011 be noted.

5.2. That the annual accounts are approved by the Audit Committee in September after they have been certified by the County Treasurer and taking account of any comments from the external auditor.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Improvement plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u>		<u>Date</u>
The Accounts and Audit Regulations (England) 2011		March 2011

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific proposals.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific proposals affecting adaptation to climate change.