

Hampshire Fire and Rescue Authority

Governance Committee

Item 8

24 March 2011

Revised Accounts and Audit Regulations 2011

Reference: 2782

Report by the Treasurer

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1 Summary

1.1 This report advises the Governance 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. This allows a more flexible approach to the timing of a summer meeting of the Governance Committee and if approved will require a change to the Committee's Terms of Reference.

2 Recommendations

- 2.1 That the proposed changes to the Accounts and Audit Regulations 2011, coming into force on 31 March 2011, be noted.
- 2.2 That, once the Accounts and Audit Regulations 2011 come into force, the terms of reference of the Governance Committee be amended to reflect the requirement for the annual accounts to be approved by the Governance Committee before 30 September following the financial year end and after they have been certified by the Treasurer and audited by the external auditor.

3 Introduction and background

3.1 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 Treasurer has responded to the consultation supporting all the proposals.

4 Proposed changes to the Regulations

4.1 Approval and publication of the accounts

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.

4.2 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 Treasurer, no later than 30 June, they will be available for review by members. This also provides greater flexibility in the scheduling of Governance Committee. This will require the Terms of Reference for the Committee to be amended assuming that the draft regulations are approved.

4.3 Statutory procedure for public inspection of the accounts

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.

4.4 Remuneration reporting

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.

4.5 Contravention of the regulations

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.

4.6 Smaller relevant bodies

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.

5 People Impact Assessment

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

5.2 The proposals in this report are considered compatible with the provisions of the European Convention on Human Rights, the Human Rights Act 1998, and the Race Relations (Amendment) Act 2000.

6 Conclusion

6.1 The proposed amendments to the Accounts and Audit Regulations 2011 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 by officers
- 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.

Background Papers

Section 100D – Local Government Act 1972 – background documents

The following documents disclose the facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of the report

None

Note: The list excludes: (1) published works: and (2) documents that disclose exempt or confidential information defined in the Act.

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